

A STUDY OF
THE HONG KONG HOME OWNERSHIP SCHEME

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RESEARCH REPORT

Presented to

The Graduate School

In Partial Fulfilment

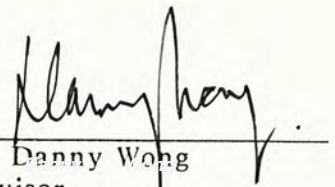
of the Requirements for the Degree of

MASTER OF BUSINESS ADMINISTRATION

THREE-YEAR MBA PROGRAMME

THE CHINESE UNIVERSITY OF HONG KONG

May 1986



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Advisor

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ABSTRACT

Housing has always been a social problem. The rapid urban growth and sporadic massive influx of immigrants from China within the last three and a half decades have forced the Hong Kong Government to take a more positive and active role towards the housing problem. After producing cheap basic quality rental housing for the poor for more than fifteen years, Governemnt had finally decided to embark on a flat-for-sale scheme to promote the concept of home-ownership for the lower middle to middle income groups in 1978. One of the objectives was to attain a social stability which is critical to organized industrial and urban growth.

The purpose of this research paper is to critically examine and evaluate the Hong Kong Home Ownership Scheme. The methodology employed in this reasearch paper will be briefly described in Chapter II. The background of the housing situation of Hong Kong and the emergence of the Home Ownership Scheme are recorded in Chapters III and IV respectively. Findings from interviews and objective analyses are presented in Chapters V and VI, and the results of the critical evaluation are reported in Chapter VII. In the last Chapter, the authors intend to put forward some recommendations for further improvement of the Scheme. It is hoped that this research paper would provide a useful and meaningful basis for further research and study on this topic.

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ACKNOWLEDGEMENTS

The authors would like to express their deepest gratitude to the following persons for their kind assistance, valuable opinions and time which had made this paper possible:-

- 1) Dr. Danny Wong
- 2) Mr. W.R. Robinson
- 3) Mr. Leung Sing
- 4) Mr. M.Y. Wan
- 5) Mr. Leung Chun-ying
- 6) Mr. Fung Kin Kee
- 7) Mr. David C. Lee
- 8) Mr. Y.G. Lim

The authors would also like to thank all those people that have helped in preparing this research paper, especially Ms. Ivy Chiu, Mr. H.L. Yiu and Mr. K.T. Yung for typing and printing of this paper.

Last but not least, the authors feel an obligation towards their families for without their encouragement, support and tolerance, the authors would not have been able to complete their MBA programme.

CHAPTER I

INTRODUCTION

Since the beginning of the 20th Century, the dominant form of housing tenure in most advanced capitalist societies has been the owner-occupation. It is now considered by many developed countries to be a desirable social objective to promote the concept of home-ownership, and many of these countries have programmes to support the expansion and continued expansion of home-ownership in their strategic housing policies. In recent years, the more advanced territories in the Far East, such as Malaysia, Singapore and Hong Kong, have begun to embark on programmes to encourage home-ownership.

Despite of its seeming popularity, the desirability of promoting home-ownership is still a subject of debate by many academic researchers, particularly in recent years in respect of the sale of council houses in Britain. Nevertheless, the merits of this form of tenure can be readily identified. From the results of a number¹ of social surveys, home-ownership has been shown to be a

¹ Housing Research Foundation, Home-ownership in England and Wales, London: Housing Research Foundation, 1970; and J.B. Cullingworth and V.A. Karn, The Ownership and Management of Housing in New Towns: Report Submitted to M.H.L.G., London: H.M.S.O. 1968.

much preferred form of tenure on the grounds of security of tenure, freedom of residential mobility, householder autonomy and buying of property as a hedge against inflation. As regards the effect of home-ownership on the community, it has been observed to encourage political and social stability, and has desirable multiplier effects on industries providing mass-consumption goods. It has also been seen to improve workers discipline and job stability; and as a home-buyer is usually nearing retirement when the house loan is finally repaid, it lowers the State's cost of maintaining¹ the retired and unproductive population.

On the other hand, most criticisms on the concept of home-ownership have been centered around classical² socialistic idealisms. Engels argues that home-ownership by the working class is a form of exploitation by the bourgeois. Because of home-ownership, workers tend to be less mobile and have no choice but accept any level of wages offered to them. Furthermore, it has also been observed that the high rate of home-ownership is causing a "privatising" effect on social behaviour patterns. And as a result of this, public transport will be less efficient and the quality and quantity of urban public amenities such as parks, child-care facilities, etc. will

¹ K Bassett and J. Short, Housing and Residential Structure, London: Routledge & Kegan Paul Ltd., 1980, pp. 209 & 210.

² F. Engels, The Housing Question, Moscow: Progress Publisher, 1970 p.12

¹
be reduced.

The Hong Kong Home Ownership Scheme

In Hong Kong, although the intention to establish a government administered home ownership scheme was first contemplated in 1973 soon after the start of the ten year expanded public housing programme, it was not implemented until 1978 as a result of the recommendation of a working group. In 1977, a Home Ownership Scheme (HOS) was formally established by Government as part of its public housing programme. The Scheme was administered by the Housing Authority, which acted as Government's agent, and the flats under the Scheme were sold at cost price to eligible buyers and on a non-profit making basis. The first phase of the Home Ownership Scheme flats, comprising of 3,373 units at six different locations were put up for sale in February 1978. The demand was overwhelming with more than 35,800 applications being received, over-subscribing about 4.5 times. The Scheme was proved to be a tremendous success. Up to the end of 1985, a total number of 67,587 HOS flats have been sold² to eligible buyers.

Since the inception of the Scheme, it has received much favourable support from the community as a whole. The then Hong Kong Governor, Sir Murray MacLehose, once

¹ Kemény, Myth of Home-Ownership, pp. 48 - 55.

² Source: Housing Department

4

described the Home Ownership Scheme as an "unqualified¹ success". However the Scheme is not without criticisms. Certain interest groups have expressed concerns that Government's promotion of the Scheme might be at the expense of public rental housing production. The more grave complaints come from the private developers worrying that the Scheme would cause a detrimental effect on the private sector residential market. Such dissension became more severe when the HOS flats started to be sold at nil land value in 1982, and the situation was further augmented by the frequent relaxations of flat purchaser's eligibility criteria. Government is being accused to have created an unfair competition between the HOS flats and the private sector flats by heavily subsidizing the Scheme. The justification of transferring the community's capital asset, land in this instance, at a discounted value to a particular group of people is being queried.

Research Objectives

The main objective of this research paper is to critically examine and evaluate the Hong Kong Home Ownership Scheme with particular reference to the following three areas.

- a) Its effects on the private sector residential market.
- b) Its socio-economic impact on the community.

¹ Governor's address at the opening of Sui Wo Court on 21 May, 1981.

- c) The success and failure of the Scheme as measured against its set objectives.

The research will also look at some suggestions for further improvement to the Scheme. However, the scope of this research does not intend to cover in detail the entire Government housing policy nor try to study the housing problems and the property market of Hong Kong. It is hoped that this research paper would provide a useful and meaningful basis for further research and study on this paper.

Because of the special nature and complexity of this research topic, it would be necessary to explain the methodology used before proceeding to examine the areas outlined above.

CHAPTER II

METHODOLOGY

The research and analyses conducted in this paper are both qualitative and quantitative. The methods employed comprise questionnaire/interview type techniques and research on published data obtained from relevant sources. Reference has also been made to writings and critiques on the housing situation in Hong Kong.

The Home Ownership Scheme was introduced in 1978. During the past eight years, no formal nor in-depth study had been carried out on this topic. Information is so scattered that it is very difficult to collect a significant data base for the expansion of the research project. This is further complicated by the socio-economic nature of the topic and the controversy on the issue of its effects on the private sector residential market.

In view of all these inherent factors and difficulties, it is therefore necessary for the authors to conduct their own survey to gather relevant and meaningful data for this research. However, because it would be impossible to carry out a comprehensive survey, the authors have developed a questionnaire for a series of in-depth interviews with selected sample subjects. A copy of the questionnaire is attached at Appendix I.

The selected interviewees are managers of private property companies, Chartered Surveyors, independent consultants, socialist, and government official. They are all regarded as representations in their own fields, and their experienced knowledge of the property market situation and understanding about the Home Ownership Scheme have provided invaluable insight into the subject matter and its problems. It is hoped that, with the authors' own working experience in the building industry and their personal judgement, the information and opinions extracted from these interviews can be construed into meaningful data for the use of this research project.

Objective analyses are then carried out to analyse and verify some of the interesting and controversial findings of the interviews. The analyses also serve to supplement and quantify the data base of the project. Facts and figures are obtained from published data of the Housing Department, Rating and Valuation Department, Census and Statistics Department, and other Departments of the Hong Kong Government. Publications and reports produced by Chartered Surveyors firms, economic research departments of leading banking and investment institutions are consulted. Standard reference books on the topic of housing in Hong Kong are helpful in explaining the general background of both public and private housing of Hong Kong. Reports on current developments found in various articles in the newspapers, magazines and professionals journals are also amongst the

reference lists.

The findings of the interviews and objective analyses are presented and interpreted in Chapters V and VI of this paper respectively. In the next chapter, the background of the housing market will be first looked at and, followed by the emergence of the Home Ownership Scheme in Chapter IV.

CHAPTER III

OVERVIEW OF HOUSING IN HONG KONG

Housing is a social problem associated with unbanisation. The situations and problems of housing in a society cannot be properly understood and studied in isolation. They are closely related to and are often affected by the historical demographic and socio-economic trends and situations of the society. Therefore, before proceeding to study the Home Ownership Scheme, it would be useful to look at the background of both public and private housing of Hong Kong.

Public Housing in Hong Kong

History

Like most other urban cities in the developing world, the housing problem of Hong Kong has been associated with the rapid urban growth and massive population expansion in the post-war years. Two main fundamental factors stand out clearly in the scene of housing in Hong Kong. The first is the growing size of population which was subject to the impact of sporadic burst of influx of immigrants from China in the past. The following is a table showing the change in population since 1951:

TABLE 1

CHANGE IN POPULATION SINCE 1951

Mid-Year	Population (Excluding Vietnamese Refugees)
1951	2,015,300
1961	3,163,100
1971	4,045,300
1981	5,133,800
1985	5,412,000

(Source: Demographic Statistics Section, Census and Statistics Department.)

It can be seen from the above table that the population has expanded very rapidly, with increase of about 1 million people per decade.

The second factor is the scarcity of land. The total area of Hong Kong is approximately 1,064 square kilometres, but mainly because of the topography, habitable land is only 10 percent of the total area, about 10,400 hectare. The population density in 1985 was about 520,400 persons per thousand hectare of habitable land, and was amongst the highest in the world.

In 1936, the population of Hong Kong was about 1 million, and this figure increased to about 1.7 million by an influx of refugees from China in 1937. The shortage of flats at that time was estimated to be about 40,000 units. During the Japanese invasion and

occupation, there was a considerable damage to property. The housing stock in 1946 comprised about 22,700 primarily domestic buildings, 93 percent of which were Chinese tenement-type houses.¹ Although the population dropped to 600,000 by 1945, the number rapidly increased to 2 million in 1950 as a result of the internal wars in China and the establishment of the People's Republic of China in 1949. On the other hand, the stock of housing had only increased marginally, and the figure stood at about 24,600 domestic buildings by 1950.² It is therefore not difficult to imagine the living conditions of most families under the acute shortage of housing and the poor public services available during the immediate post-war years. As the houses were filled to capacity, people again overflowed into the streets and erected, virtually overnight, large squatter settlements on the urban periphery, on the roofs of buildings and in sheltered coastal embayments on boats.³ Apart from the public health and fire risk posed these settlements, their locations, mainly on the fringe of the existing urban area, was strangling the economic and social development of Hong Kong.⁴

¹
Annual Report of the Urban Council 1946-47, Table 10

²
Annual Report of the Urban Council 1950

³
E.G. Pryor, Housing in Hong Kong, 2nd Edition, Hong Kong: Oxford University press, 1983, p.23

⁴
J.C. Morris, Administration and Finance of Public Housing, Housing in Hong Kong - A Multi-disciplinary Study, Heinemann Educational Books (Asia) Ltd, p.56).

The housing problem had not received the fullest attention from the Hong Kong Government. The setting up of "approved" and "toleratd" areas in 1951 in which squatters could build cottages were measures that could only scratch the very surface of the problem. Concerns were mainly come from missionaries and voluntary organisations, in particular, the Hong Kong Housing Society of 1951 and the Hong Kong Settlers' Housing Corporation of 1952. But all these efforts still proved to be insufficient. Later arrivals from China continued to build shanty-towns of squatter huts which soon spread up the hillsides on both sides of Hong Kong's harbour. It was until a catastrophe which broke out in 1953 that forced Government to take a more positive involvement in the public housing programme.

On the Christmas Eve of 1953, a disastrous fire broke out in a squatter settlement at Shek Kip Mei in Kowloon and made 53,000 people homeless. Two major legislations were passed as a consequence. The first one was the Resettlement Ordinance 1954 which created the Resettlement Department, and together with its counterpart in the Urban Council, it was charged with the responsibility for the control, clearance, resettlement of squatters and the management of Resettlement Estates. The second one was the Housing Ordinance 1954 which established a Housing Authority to provide housing for low income families which were living in overcrowded conditions in private accommodations. And in 1964, 10 years after these two legislations were enacted, a

Housing Board was formed to advise Government on all housing policy and keep under review the implementation of the policy, to ensure the most effective use of resources. By 1972, there were about 1.4 million people living in the Resettlement and Low Cost Housing Estates and about 220,000 people in the Housing Authority Estates.

However, both the organisation and direction of the housing programme had received some misgivings. K. Hopkins¹ in 1971 wrote that '..... the chief housing problem has been the failure of Government to see housing as a whole. It may be time to consider the creation of a single Department of Housing, responsible for all aspects of housing, both private and public in Hong Kong....'. The basic problem was that no single organisation was charged with overall responsibility for housing policy and for the implementation of the housing programme. The existence of two management bodies, the Resettlement Department and the Housing Authority, had caused great confusion in the minds of the public. Moreover, the pressure from the flood of immigrants from China, which had soared the population figure to over 4 million by 1971, had caused Government to review its housing policy in 1972.

¹
K. Hopkins, "Housing the Poor" in Hong Kong, the Industrial Colony, Oxford University Press, 1971.

The New Housing Authority

In October 1972, the government announced an expanded housing programme with a target of providing 1.8 million people with permanent self-contained homes with good amenities and in reasonable environment in the next 10 years. As part of this housing drive, the three main bodies supplying or managing public housing at that time were consolidated into one single body. A new Housing Authority, and a new Housing Department - the Authority's executive arm - was created to plan, administer, construct and manage all public housing in Hong Kong.

The new Housing Authority was established under the Housing Ordinance 1973 to provide a reasonable standard of accommodation for lower income families as a social objective. It's main functions are:-

- a) to advise the Governor on all matters of public housing policy;
- b) to plan and build housing estates for classes of people determined by the Authority with the approval of the Governor;
- c) to manage public housing estates throughout Hong Kong;
- d) to clear land for development and to control squatting;
- e) to construct temporary housing areas and transits centres, schools and community facilities on estates;
- f) to construct and manage flatted factories,

which provide small factory units for clearees operating industrial undertakings.

The organisation chart of the Housing Authority is shown at Appendix II.

The target of the expanded public housing programme announced in 1972 was however not met. During the ten years from 1973 to 1983, a total number of 220,527 units¹ were built, housing some 1 million people. The programme has now become an on-going programme. The housing stock as at 31 December, 1985 stood at 532,647 units, accommodating a population of some 2.1 million, representing about 40 percent of the total population. The Housing Authority at present spends about HK\$2.4 to 2.8 billion each year on its construction projects.²

Public Housing Policy

There are basically two distinct sets of housing policies. The first comprises policies "towards" housing which primarily involve what might be termed as macrolevel decisions.³ At the most general level of this decision-making process is the broad political philosophy which governs development priorities as a whole. This type of macrolevel decisions will not only influence broad areas of construction investment, but also has

¹ Hong Kong Housing Authority Annual Report

² Source: Housing Department

³ David Drakakis-Smith, High Society, Housing Provision in Metropolitan Hong Kong 1954-1979, a Jubilee Critique University of Hong Kong, 1979.

direct repercussion on the role of the state vis-a-vis that of the public sector and so determines the general proportion of housing resources to the low income groups.

The second set comprises policies "for" housing and can be referred to as micropolicies. The most important elements of these micropolicies are the formulation of policy objectives and the creation of strategies to achieve the objectives. This type of housing policies at microlevel is most commonly found in the developing countries. And since attention is being concentrated mostly on the methodology of achieving the objectives, this approach has been criticized as regarding housing improvement as an end in itself rather than as a means to realizing the broader goal of alleviating poverty.¹

The earliest public housing policies of Hong Kong were in principle microlevel policies and were comparatively short-sighted. Before 1954, Government's attitude towards housing problem was mainly "indifferent", or more often dignified by the term "laissez-faire", in the hope that somehow things would change. Although this had changed since 1954 when Government decided to assume a more positive role, its attitude was still "reactionary", and its policies were mostly remedial measures trying to solve one or other of the symptoms of the housing problem, such as squatting,

1

David Ward, "The Victorian Slum: an enduring myth?", Annals of the Association of American Geographers, Vol. 66, 323-336.

multiple occupancy, high rents, etc., rather than the causes.

A more broader housing policy was formulated in 1972 when the Executive Council endorsed a ten-year expanded programme for public housing. The new Housing Authority was responsible to determine the macropolicies "towards" housing, whereas its executive arm, the Housing Department, had the responsibility for translating general objectives and fiscal allocations into specific programmes through micropolicies "for" housing. The housing objectives and standards set to be achieved in a long-term perspective were:

- a) to eliminate all squatters and licenced areas;
- b) to allow for the redevelopment of cottage areas;
- c) to provide a self-contained dwelling for all those households sharing accommodation in private tenements;
- d) to relieve overcrowding in existing Government housing, including redevelopment and renovation of estates where some such form of renewal was essential;
- e) to provide housing for those people who had to be rehoused as a consequence of other Government schemes and policies.

Because of the scarcity of housing resources, stringent eligibility criteria have been devised to scrutinize those families applying for the heavily subsidized public housing. These criteria are reviewed

from time to time as a result of changing circumstances.

Looking forward into the future, it is anticipated that Government would take a more flexible approach and innovative response towards the housing problem. Economic and political considerations will continue to dominate Government's macropolicies on housing investment. At microlevel, the current housing objectives will still be maintained since most of these cannot be achieved before some years. The two objectives that are expected to receive more attention will be (a) to provide better living environment and (b) to fulfill the long term housing expectation of the community. As regards the implementation of the housing policy, the current public housing eligibility and allocation criteria can be expected to continue to operate in the coming decade. However, as the real growth of household income is being forecasted to be 3 to 5 percent per annum in the future, the income limits for eligible families can be assumed to grow as well as the space standard in the allocation of public rental housing.

The Private Sector Residential Market Before 1978

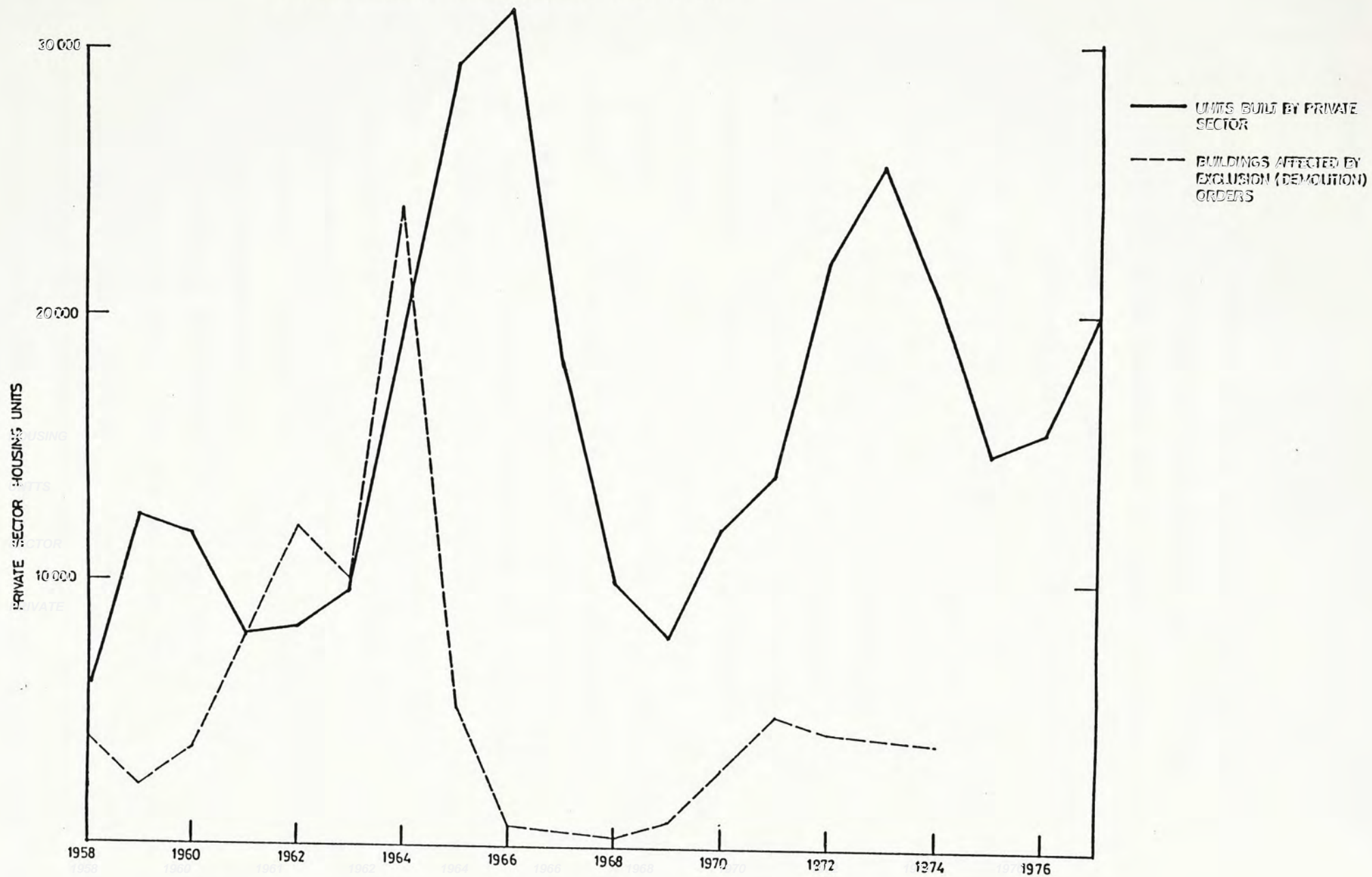
During the immediate post-war years, the job of providing new housing was left entirely to the private enterprise, and the result was totally unsatisfactory as the resources available at that time were far unequal to the task. Property development was controlled by the 1935 Building Ordinance, which limited most residential structures to five storeys. This unsatisfactory

situation remained until 1955 when Government realised that stimulus had to be given to the greater participation by private enterprise in the field of housing. The Building Ordinance was radically changed to simplify expansive legal procedures involved in redevelopment and much higher intensity of land use was permitted. As a result, there was a surge in the residential development which reached a peak in 1959. Figure 1 shows the private sector construction from 1958 to 1977.

Most of the private development during this period was on a small scale, and a large proportion of the new residential units was comprised of tenement floors or small flats. The industry was very labour intensive. And as a result of higher land use intensity, area densities soared rapidly. It was reported by the 1961 Census that the population density for Sheung Wan and Wan Chai went as high as 238,000 and 209,000 persons per square kilometre respectively. This increased population density had put a severe strain on the existing transport services and community facilities in the inner city areas, resulting in massive congestion of all types.

In response to this, Government modified the building regulations in 1962 to lower densities, however the new measures were to become effective four years later in 1966. The result was a frantic four year building boom as developers sought to take advantage of the existing legislation. Multi-storey buildings of ten to twenty storeys became the dominant feature of the

FIGURE 1
PRIVATE SECTOR CONSTRUCTION 1958 TO 1977



SOURCE : COMMISSIONER FOR RATING AND VALUATION (1970)
 RATING AND VALUATION DEPARTMENT (1977)

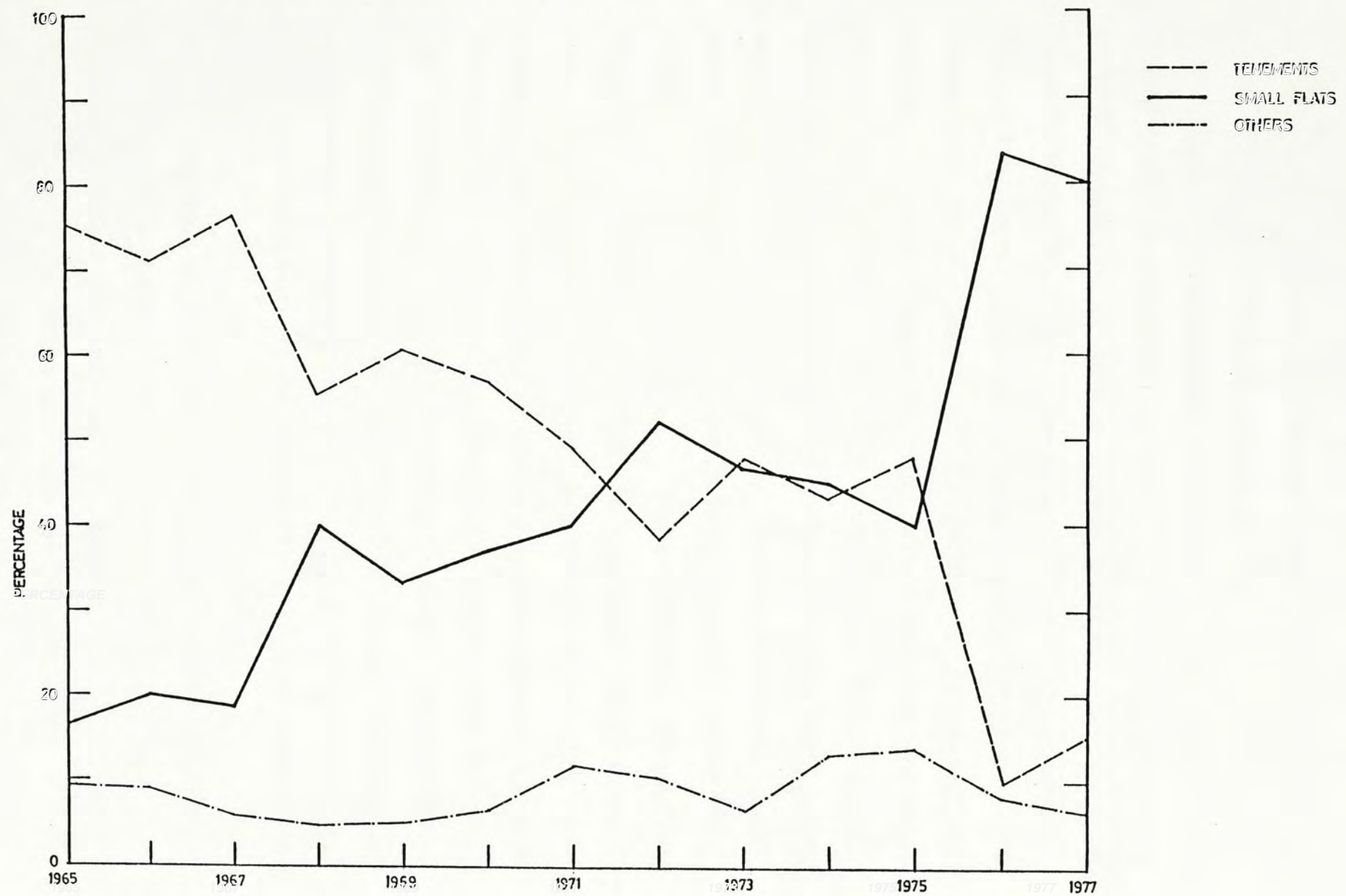
city. The effects of this building boom were that many of the new buildings had been poorly built in the haste to recoup quick profits and the popular tenement floor was beginning to be supplanted by the flat as the principal leasing unit, although subdivision into cubicles for sub-letting was commonly found within the flat. By 1966, there were about 18,000 vacant domestic units in the private sector as a result of over-supply.

In 1966, the private sector property market which was already being severely hit by the banking crisis in 1965 and the full enforcement of the amended building regulations, received a further blow by the riots of 1966-1967. Private property development activities dropped rapidly and between 1966 to 1970, annual total domestic units completed by the private sector decreased by more than 70 percent, reducing its contribution to the net gain in domestic units from 50 to 20 percent. Accompanied this was a gradual but important change in the configuration of private sector housing: self-contained flats became much more important although their average monthly rent was well beyond the affordability of most people. Figure 2 shows the types of private sector housing construction from 1965 to 1977.

Economic confidence returned soon after the disturbances of 1967, and the building industry began to pick up in 1970. However, the shortfall in the overall housing supply continued to aggravate. As a result of this, and coupled with the rising cost of land, rents were spiralling rapidly upwards. Hardest hit by this

FIGURE 2

TYPE OF PRIVATE SECTOR HOUSING CONSTRUCTION 1965 TO 1977



SOURCE: RATING AND VALUATION DEPARTMENT (1974, 1977)

sustained rent spiral were local middle income households which had their income in excess of the income limits for public housing eligibility. Although rent controls were subsequently introduced in 1970, it did not ease the overall situation for middle income groups, particularly those seeking new homes, because about two-thirds of the new units constructed were sold to owner-occupiers, and there was no control in the open market flat selling prices. Given these circumstances and the high mortgage charges prevailing at the time, the middle income groups were seriously frustrated as on the one hand they were not eligible for public housing, and on the other, both rent and price levels of the private sector flats were beyond their affordability. This situation suggested that there existed a considerable potential for moderate-cost accommodation in the new industrial areas and new towns. However, the private sector showed little interest and reacted very slowly in meeting this demand, and the middle income groups themselves were unwilling to move into new private units if it meant large increase in their overall expenditure. The condition did not improve until 1978 when Government introduced the Home Ownership Scheme.

As regards to the low income groups, their situation had been even worse. They had been initially neglected by the private sector whilst alternative government accommodation was still woefully short of demand. The downward pressure from the middle income groups, whose search for reasonably priced accommodation forced up the

cost of small flats, rooms and smaller subdivisions, had made life more difficult for the urban poor living in large tenement areas. Such circumstance had forced Government to review its public housing policy and an expanded housing programme was finally announced in 1972.

The situation of private sector residential market after 1978 will be looked at in Chapter VI where the impact of the Home Ownership Scheme on the private sector is objectively analysed.

CHAPTER IV

THE EMERGENCE OF THE HONG KONG HOME OWNERSHIP SCHEME

During the period from early 1950's to early 1970's, Government appeared to believe that there were only two main approaches to the housing problem in Hong Kong. The first was to provide subsidized cheap rental housing for the poor; the second was to let profit orientated developers and landlords to build expensive housing for the remainder of the population. Government seemed to overlook the increasing affluence of the society which had gradually fueled the growing aspirations for home-ownership.

Trend Towards Home-Ownership

Aspiration for home-ownership is associated with income growth. Using 1964 as a base year, the overall index of average daily wages for industrial workers rose by 160 percent by 1974, while the general consumer price index rose by only 34 percent for the same period. The actual household income had also improved; the proportion of households with an income of less than HK\$400 per month had decreased from 45.1 percent in 1966 to 15.3 percent in 1971 and at the same time the proportion of

households with income between HK\$800-1990 had increased¹ from 9.7 percent to 32.9 percent.

The seventies saw another rapid development of the Hong Kong economy. The Gross Domestic Product (G.D.P.) in real terms increased by 6.6 percent and 12.3 percent per annum during 1970-1975 and 1975-1980 respectively. The corresponding per capita G.D.P. growth rates were 4.4 percent and 9.3 percent. The median household income in real terms grew between the last two censuses were :-

TABLE 2

THE MEDIAN HOUSEHOLD INCOME REAL GROWTH RATE
BETWEEN 1971-1981

	<u>Real Growth Rate per Year</u>	
	<u>1971-1976</u>	<u>1976-1981</u>
Public Rental Sector	5.4%	6.2%
Private Permanent	3.8%	5.7%
Overall	4.4%	6.0%

Sources: 1971 and 1981 Censuses and 1976 By-Census.
Census & Statistics Department

Accompanied with the income growth was a discernible tendency towards small households. The following is a table showing the average household size for the period:-

¹
Census & Statistics Department, Hong Kong Statistics
1947-1975

TABLE 3

AVERAGE HOUSEHOLD SIZE BETWEEN 1971-1981

<u>Year</u>	<u>Average Household Size (Person)</u>
1971	4.5
1976	4.2
1981	3.9

Sources: Census & Statistics Department
1971 and 1981 Censuses and 1976 By-Census

As a result of this, and the massive immigration and demographic movement, the formation of new households had also accelerated:-

TABLE 4

NEW HOUSEHOLDS FORMED BETWEEN 1971-1981

	<u>Total Net Number of New Households Formed</u>	<u>Average Per Year</u>
1971-1976	142,400	28,480
1976-1981	245,400	49,080

Sources: Census & Statistics Department, 1971 and 1981 Censuses and 1976 By-Census.

All of these had meant a larger demand for housing units, in particular owner-occupation. Income growth in a cumulative way improved the affordability of households for better housing and hence created demand. Increase in household number further augmented the situation. This growing trend of home-ownership is evidenced by the following data:-

TABLE 5

OWNER OCCUPATION IN PRIVATE PERMANENT HOUSING
BETWEEN 1971-1981

	% of Owner-Occupier Household in Private Permanent Housing -----
1971	N.A.
1976	33.3
1981	39.3

Sources: Census & Statistics Department,
1971 and 1981 Censuses, 1976 By-Census.

The trend is confirmed by the data from the Rating
and Valuation Department about the end-use of new flats:-

TABLE 6

END-USE OF NEW FLATS BETWEEN 1971-1981

	% of New Flats Owner-Occupied -----
1971	64.6
1976	70.3
1981	77.6

It was therefore apparent in mid-1970 that there existed a considerable potential demand for moderate-priced accommodation for sale, particularly from the middle-income class, represented partly by those renting unsatisfactory private housing whose income were too high for eligibility for subsidized rental housing but too low to enable them to own decent private accommodation, and partly represented by those better-off public housing tenants who could afford to own their homes but were

reluctant to surrender their highly subsidized public housing units. As mentioned in the previous chapter, the private sector however showed little interest in meeting this demand. The obvious alternative was therefore for Government to provide suitable accommodation to satisfy the market opportunities.

The Establishment of The Home Ownership Scheme

The intention to introduce a government home-ownership scheme was first contemplated in 1973, one year after the announcement of the ten-year expanded public housing programme, but it was not implemented until 1978. During this period, there had been considerable degree of confusion and hesitation on the part of Government as to the feasibility of the plan and the form that it should take. Until early 1976, the intention was to sell flats under the scheme only to those better-off families already living in subsidized rental public housing with the objective that they would vacate their flats to make way for more needy families. However, Government was forced to rethink the viability of such a scheme with existing public housing tenants as the sole target group, by the poor take-up rate of an experimental flats-for-sale scheme undertaken by the Hong Kong Housing Society¹ in 1976. Government's hesitation is understandable as

¹ In March 1976, 198 flats in Mei Sun Lau, Des Voeux Road West, were put up for sale at 80 percent of the market value by the Hong Kong Housing Society to tenants affected by the Urban Improvement Scheme and to existing tenants of Housing Society Estates, only 70 units had been sold.

the rents paid by public housing tenants were substantially below market levels. Unless the flats were offered for sale at very attractive prices, the tenants would be unwilling to surrender their existing tenancies.

In July 1976, a Working Party was appointed by the Governor to investigate the feasibility of a government home ownership scheme to produce flats for sale to lower middle income group families. The setting up of this Working Party came as a result of the Financial Secretary's Budget Speech of 1976, which specifically drew attention to the shortfall in the provision of public housing for the next ten years. The reasons for this shortfall were because of the massive immigration from China and also due to Government's lack of thought as to how the private sector could be induced to make its "contribution" to the overall housing requirements by constructing more moderately priced homes to complement the ten year expanded public housing programme.

The Working Party was under the chairmanship of the Financial Secretary, and it was given the task of working out a practical scheme not only for public housing tenants but also for person immediately above the income limits for eligibility for public rental housing. This change of policy which was announced by the Governor in the opening session of the Legislative Council on 6 October 1976 was that while the original intention was to sell home ownership scheme flats only to person already in public rental housing estates so that the rented accommodation they vacated would be available for others

in greater need, the promotion of home-ownership was such a desirable social objective in its own right, that the scheme needed broadening.¹

A survey was conducted by the Working Party which indicated that a strong desire for home-ownership persisted amongst lower middle income households, which could not afford to buy flats from the open market at prevailing price level and mortgage rate. These households were also frustrated in getting into public rental housing even if they were eligible because of the long waiting time.

The Working Party reported in mid-1977 and recommended to Government to provide a scheme of flats-for-sale and loan finance on terms better than those offered on the open market. In 1977, the Home Ownership Scheme (HOS) was formally established as part of Government's public housing programme. The Housing Authority was invited to administer the Scheme, and was given the responsibility for designing, building and selling the flats to eligible buyers at cost price and on a non-profit making basis. Any commercial facilities on sites, including shops, car parks and community facilities were to be retained by the Housing Authority for rental purposes. The target production was set at to be 5,000 flats per annum over a period of nine years.²

¹

Hong Kong Standard, 7, October, 76

²

Hong Kong Government, Hong Kong 1979, Hong Kong: Hong Kong Government Printer, 1979, p.93.

The 1976 Working Party, in making its recommendation also saw a need to involve private sector developers. In 1977, an experimental joint venture scheme - the Private Sector Participation Scheme (PSPS) - was launched as a supplement to the Home Ownership Scheme, under which Government invited real estate developers to produce similar flats for sale, at fixed price, to applicants processed by the Housing Authority. The objective of this scheme was to involve private sector developers to make a contribution to the public housing programme. The experimental scheme was a success, and in 1980, the decision was taken to expand the Private Sector Participation Scheme to provide for 5,000 flats per annum, making the total number of flats produced under the Home Ownership Scheme to be 10,000 units per annum.

Objectives of HOS

The main objectives of the Home Ownership Scheme are, firstly to encourage better-off rental estate tenants to purchase their own flats so that their heavily subsidized accommodation can be re-allocated to families in greater need and, secondly, to assist families in the private sector with limited incomes to become home-¹owners.

It is also hoped that if the above two main objectives could be achieved, the following would also be accomplished:-

¹
Hong Kong Housing Authority Annual Report
 1984/1985

- 1) To achieve a greater social stability. This is needed for organised industrial and urban growth.
- 2) To be self-financed on a non-profit making basis, and in no way detrimental to the private sector residential market.
- 3) To create an increased stock of housing. This can be achieved by the quick recovery and recycling of the financial resources which Government invested in the Home Ownership Scheme.
- 4) Although the Housing Ordinance requires that the policy of the Housing Authority shall be directed to ensuring that the revenues accruing to it from its rental estates shall be sufficient to meet its recurrent expenditure on its estates, this has never been met and Government is required to continuously subsidize this expenditure. Since the Home Ownership Scheme is an 'one-off' subsidy (as from Phase IIIB onwards), it has the effect of reducing Government's assistance in meeting the recurrent expenditure of public housing in the long run.
- 5) To satisfy a growing need for home-ownership of the community.
- 6) To fill the vacuum in the housing market by providing moderate cost accommodation to the lower income groups which the private sector is

unwilling or unable to supply. (See Figure 3)

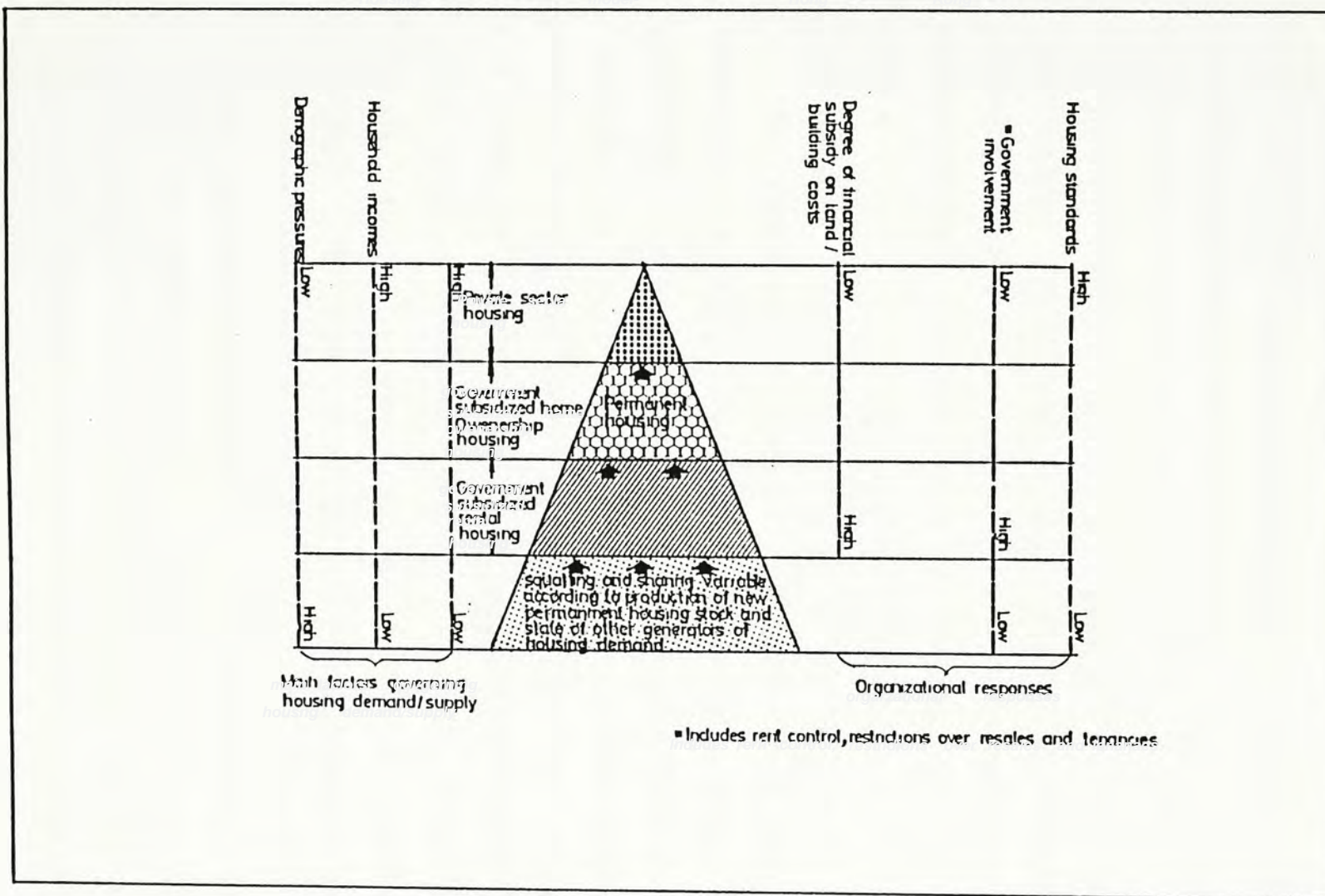
- 7) Under the Private Sector Participation Scheme, the private developers sector can "contribute" by participating in the public housing programme for lower income groups. It is further hoped that this involvement will ease the concern of the private developers about the effect of the Scheme on the building industry.

Mechanism and Implementation Policy

The Home Ownership Scheme takes two forms, namely, the Housing Authority Home Ownership Scheme (HAHOS) and the Private Sector Participation Scheme (PSPS). Under the HAHOS, the Housing Authority is responsible to plan, design, build, sell and manage flats upon completion. The commercial space, including shops, car parks, etc., however, is retained by the Housing Authority for rental purposes. Under the PSPS, which has been said earlier is a supplementary scheme to the HAHOS, Government invites private developers to tender for sites on which they are required to build flats conforming to certain specifications, such as flat sizes and standards. The PSPS flats are sold at prices approved by Government to families nominated by the Housing Authority. These families have to satisfy the same eligibility criteria as those for the HAHOS. The progress and standards of development of PSPS projects are monitored by the Housing Authority.¹

FIGURE 3

Housing model - Hong Kong



Source : E.G. Pryor, Housing In Hong Kong

Administration

The Home Ownership Scheme is administered by the Estate Management Branch of the Housing Department. The organization chart is attached at Appendix III. The Construction Branch of the Department is responsible for the design and construction of HAHOS while the Administration Branch provides expertise on accounting and publicity.

Home Ownership Fund

To finance the construction of these flats, a revolving fund - the Home Ownership Fund - was established by resolution of the Legislative Council on 5 January, 1977.¹ Transfers were to be made from the General Revenue into the Fund to meet the total building and site formation costs, land premium at full market value (this element was eliminated as from Phase IIIB) and to reimburse the Housing Authority for its overheads. The sale prices of the flats were to be set to recover these costs plus an element for interest of 5 percent per annum representing Government's "opportunity cost" of the monies involved. There was a provision in the Resolution enabling the Financial Secretary to transfer any surplus in the Home Ownership Fund back into General Revenue. It is hoped that by means of this device, the financial resources invested in the

¹
Hong Kong Housing Authority Annual Report 1976/1977

production programme could be recovered speedily, and recycled to create an increasing stock of housing.

Target Group

There are two target groups for the Scheme. The first is the public housing tenants who are prepared to surrender their tenancies upon acquiring a flat under the Scheme. Because this type of applicants use a green coloured application form, they are commonly known as "Green Form Applicants". A copy of Green Form for Phase VIIIA is attached at Appendix IV.

Initially, the Green Form Applicants comprised mainly of tenants living in public rental housing, but in 1984, the Executive Council approved its extension as from Phase VIIA to include the following categories of prospective public housing tenants:-

- a) Waiting List (public rental housing) applicants;
- b) Temporary housing and cottage area residents;
- c) Clearees and disaster victims; and
- d) Junior civil servants whose salaries do not exceed Master Pay Scale Point 25 at the time of investigation.

The Green Form Applicants have only very lenient eligibility criteria, which include:¹

- a) The household must consist of at least two persons

¹
Hong Kong Housing Authority, Guide to the Home Ownership Scheme Phase VIIIA.

- b) For applicants on the Waiting List or junior civil servants, either himself or any other member of the household must not possess domestic property;
- c) The applicant and one other member of the household must have lived in Hong Kong for at least seven years;
- d) The applicant must be at least 21 years old.

This type of applicants is not subject to any income limits and is allowed to own other domestic properties (except those on Waiting List and junior civil servants).

The second target group comprises households from the private sector. They are normally known as "White Form Applicants" because the form they use when making application to purchase HOS flats is of white colour. A copy of Phase VIIIA White Form is attached at Appendix V. Unlike the Green Form Applicants, this type of applicants are subject to more stringent eligibility criteria as follows:

- a) The Household must consist of at least two persons;
- b) The total household income must not exceed \$7,500 per month;
- c) The applicant must be at least 21 years old;
- d) The applicant, or any member of the household, must not possess domestic property

¹
Hong Kong Housing Authority, Guide to the Home Ownership Scheme, Phase VIII A.

- e) The applicant and one other member of the household must have lived in Hong Kong for at least seven years.

The eligibility criteria for White Form Applicants have been relaxed by a series of reviews in the past as a result of changing circumstances. The following is a table showing the changes in the income limit:-

TABLE 7

INCOME LIMITS OF WHITE FORM APPLICANTS

<u>Phase</u>	<u>Effective Date</u>	<u>Income Limit</u> (Household Income/Month)
1	2/1978	HK\$3,500
2A	3/1980	HK\$5,000
3A	3/1981	HK\$6,500
6A	6/1984	HK\$7,500

Source: Housing Department

In early 1986, the Executive Council approved an increase in the Income Limit to HK\$8,500, with effect from Phase VIIIIB scheduled in mid-1986.

The size of household has also been reduced from three persons to the present two person in mid-1984 as from Phase VIB. This has effectively expanded the number of potential purchases within this target group.

Allocation Policy

The present allocation ratio of flats under the Scheme between Green Form and White Form Applicants is 50:50. In the event of over-subscription, ballots will be separately drawn for the two groups of applicants to determine priority. However, at flat selection stage,

the Green Form Applicants has the priority over the White Form Applicants, and the ratio is 3:1, i.e., upon successful application, three Green Form Applicants will be invited to choose their flats before one White Form Applicant is being invited.

Although there had been some projects in the past which were reserved primarily to Green Form Applicants as an incentive to encourage their take-up rate, such as the Trident Blocks at Ching Shing Court, Ching Yi Island, (Phase VIIA), the overall allocation ratio of 50:50 is anticipated to remain in operation in the foreseeable future.

Pricing Policy

Prior to Phase IIIB which was sold in early 1982, the flat sale prices under the Scheme were determined on the following basis:¹

- a) Expenditure on that part of the land premium and on building costs properly attributable to the flats;
- b) Expenditure on Housing Authority charges;
- c) Other recurrent expenditure including fees for consultants commissioned by the Housing Department;
- d) An element of interest on drawing from the Home Ownership Fund to meet the foregoing items of expenditure, so as to reflect the opportunity cost to the community of directing part of the

¹

Hong Kong Government, Hong Kong 1980

community's resources towards promoting home-ownership.

The flat prices set by this pricing formula were at cost basis and were therefore not subsidized by Government and the price levels were generally 20 percent to 30 percent below the market value as no profit margin had been built into the prices.

However, subsequent to Phase I, the cost of HAHOS flats increased at a much faster rate than the general rise in wages. Despite the constant revision of the income limits, from \$3,500 in 1978 to \$6,500 in 1981, by early 1981, the escalating land and construction costs, had caused HAHOS flat prices to rise to the extent that they had become affordable only by families at the top of the income level of the target group. In Phase I, the average monthly repayment was about 32 percent of the income limit of \$3,500, however, this was increased to about 51 percent of the income limit of \$6,500 in 1981. Public housing applicants, who were not subject to the income limits, were less affected; but those families at the lower end of the target group had virtually no way of affording the mortgage repayment and, to a lesser extent, the initial deposit.

The increase in the flat cost was attributed to the following reasons:-

1

Based on the average flat selling price of the Phase I and Phase IIIA, \$123,866 and \$249,432 respectively, and on a down payment of 10 percent at a repayment period of 15 years, and at prevailing mortgage rate of 9 percent and 16.2 percent per annum respectively of the two phases.

- a) The high land value that the Housing Authority had to pay to Government. The average land price paid by the Housing Authority in 1978 was \$1,000 per metre square of residential accommodation to be built, but in early 1981, the average price on a full market value basis, had risen to \$3,000 per metre square.
- b) The average construction costs, including overheads, had more than doubled from \$1,100 per square metre to \$2,225 per square metre over that period.
- c) The mortgage rate applicable to borrowers under the Scheme had risen from 9 percent in 1978 to 16.2 percent in early 1981, although this still represented a discount of some 10 percent from the open market mortgage interest rate.

In 1980, in an effort to keep the prices within the affordability of the target group, the Housing Authority adopted a new design of domestic block, which had an average size of 40 square metres net area compared with the average of 45 square metres in Phase I. However, this was not enough. In October 1981, Government finally announced the adoption of a revised pricing policy for HAHOS flats. The new formula, with effect from Phase IIIB in early 1982, fixed the price of flats to recover¹ the followings:-

¹

- a) Expenditure on the actual building costs of the flats;
- b) An amount, calculated at the time of sale, that would bring (a) to a level at which the Housing Authority could build a similar flat, and thus continue its programme, i.e. replacement cost;
- c) Expenditure on Housing Authority charges, including fees where consultants are commissioned by the Housing Department;
- d) A percentage addition to items (a), (b) and (c) above, to cover the cost of land formation, provision of services, contingencies, etc.

Variations are also made to prices of flats in different projects and within projects to reflect their relative locational attractiveness.

It was considered that under this new pricing formula, the flat prices would not be subject to the vagaries of open market land price which had had a distorting effect on the affordability of the flats in the past. Flat prices calculated on the new formula were expected to be well below the open market value, and there was now an element of subsidy in the price equal to the difference between the cost of the land built into the flat selling prices and the price that Government would otherwise have obtained if the site had been sold to the highest bidder by auction to private developers. The average flat selling price of recent sales exercises was generally about 25 percent below the open market value.

After the adoption of the new pricing policy for the HAHOS, the formula used for fixing the PSPS flat prices stipulated in the tender document was also amended to keep it in line with that of the HAHOS.

Resale Restrictions

In order to prevent purchaser from making a quick profit by selling the HAHOS flats within a short period of time, thus defeating the original intention of the Scheme, a resale restriction was imposed which effectively limited the resale of an HAHOS flat in the first five years only back to the Housing Authority, at the price originally paid by the purchaser.¹ Thereafter, he was free to sell it on the open market at whatever price he could get.

After the adoption of the new pricing formula in 1982, more stringent resale restrictions have been imposed as follows:²

- a) During the first five years period, resale only to the Housing Authority or its nominee at the original selling price;
- b) During the second five years period, resale only to the Authority or its nominee at a price related to that of other such flats being offered for sale at that time;

¹
Hong Kong Housing Authority, Guide to the Home Ownership Scheme March 1981

²
Hong Kong Housing Authority, Guide to the Home Ownership Scheme, Feb., 1982

- c) After ten years of occupation, resale either as in (b), or on the open market if the resale restriction has previously been cleared by the payment of a premium to Government, based on the value of the proportion of the original unrestricted flat value not paid by the purchaser.

Mortgage Arrangements

Under the Scheme, the flat purchasers will be able to obtain favourable mortgage terms from private financial institutions which have participated in the financing arrangement that year. The mortgage loan is up to 90 percent of the flat sale price with a maximum repayment period of 15 years. In view of the concession provided by the participating financial institutions, Government gives a guarantee to repay the institutions with the outstanding loan and interest in case mortgagors default in repayment. For Phases I to IIIA, this guarantee amounted to one-third of the outstanding loan and interest, and from Phase IIIB onwards, Government has extended its guarantee to 100 percent.

In Phase I, the mortgage rate was fixed based on a formula combining best lending rate and the open market mortgage rate, the rate to be reviewed every five years but subject to a minimum of 7.5 percent per annum and a maximum of 9 percent per annum. For phase IIA to IIIA, the rate offered was 90 percent of the open market mortgage rate. The formula was further revised as from

Phase IIIB to the lower of half percent above the best lending rate or half percent below the open market mortgage rate. Unlike open market mortgage rate which is subject to fluctuation, the HOS mortgage rate is fixed for a certain period before review. The current period for review is three months, and the HOS mortgage rate as at 6 March, 1986 was 7.5 percent per annum. Detailed mortgage rate movement is shown in Chapter VI of this research paper.

From 1986 onwards, as an incentive to Green Form Applicants, Government has made arrangement with the participating financial institutions to offer mortgage loan up to 95 percent of the flat sale price at a maximum repayment period of 20 years. Moreover, as a result of keen competition amongst the participating financial institutions, lower mortgage rates than that as calculated by the formula are being offered to borrowers.

Production and Sales

Details of the Home Ownership Scheme flats sold in previous phases are shown at Appendix VI. Up to Phase VIIIA by early 1986, a total number of 69,827 units have been sold. The total proceeds from Phase I to Phase VIIC¹ amount to more than \$11.8 billion.

The production forecast for the year 1986/1987 is 6,800 HAHOS and 3,600 PSPS flats, and 7,600 HAHOS plus 2,000 PSPS flats in the year 1987/1988.²

^{1,2}

Source: Housing Department.

CHAPTER V

FINDINGS FROM INTERVIEWS

From the in-depth interviews with the private developers, independent professionals, socialist and government official, many valuable views, opinions and suggestions have been collected. The findings are tabulated against each main issue of the discussion so that quick comparison of the opinions from different groups of interviewees can be drawn and a balanced view of the subject can be obtained. The views are recorded in their entirety, and although this might seem repetitive, the authors hope that by doing so, a comprehensive picture can be seen more readily. It must however be noted that because of the different background and interest of each interviewee, some issues do not have the views from all the interviewees.

Effect of HOS on the Private Sector Residential Market

Effect on Sales

Views of Private Developers

- 1) HOS has a definite and significant adverse effect on the sales of private flats of similar type with size ranging from 40 to 60 metre square. Developers felt

that HOS had created a threat to their small flat market. They further made a remark that their flat sales offices would experience a 'quiet' period whenever the government announced a HOS flat sales exercise. The reason is simply because prospective home purchasers in private sector will give first priority to HOS flats.

- 2) The degree of this adverse impact has increased when Government recently further relaxed the eligibility criteria of the 'White Form' Applicants. This will no doubt further intensify the overlapping of target groups of HOS units and comparable private flats. Developers felt that the target groups for the two types of housing had now become almost the same. Some developers even suggested that the average household income of HOS flat owners was higher than that of private flat owners.

Developers further made an interesting remark that sales were particularly good for flats within the neighbourhood of public housing estates because quite a large proportion of buyers were in fact public housing tenants. They claimed that this further illustrated the overlapping of target groups of HOS and private flats since public housing tenants were a major target group of the HOS (under the current policy, 50 percent of HOS flats are allocated to 'Green Form' Applicants) Because of this overlapping of target market

segments and the price advantage of HOS flats, developers strongly felt that the HOS had taken away from them a large segment of the market for flats under 60 metre square.

- 3) Developers complained that the HOS had created an 'unfair' competition which they were unable to compete with because of the 'unequal' bases of pricing policy. Developers also complained that Government had been allocating better locations to HOS developments. Based upon the present pricing formula, HOS flats are being sold at approximate 25 percent to 30 percent below the current market value. In addition to this price advantage, Government also offers favourable mortgage terms to the HOS purchasers.

Under these circumstances, developers are avoiding direct competition with the HOS and sometimes even forced to give up the complete market segment in certain locations.

- 4) However, the degree of effect varies with the following conditions:

- a) Location

HOS will affect more seriously on comparable private flats in the New Territories or remote areas. Tai Po was quoted by a private developer as a typical example. HOS has relatively smaller effect on private flats in urban areas.

b) Production level of HOS flats

The larger the quantity of supply, the greater the 'detrimental' impact will be resulted. Developers felt that the annual target production of 10,000 units of HOS flats (5,000 HAHOS units and 5,000 PSPS units) was too high since it represented approximately one-third of the total supply of the private sector. However, they have no choice but to accept this situation. Some developers suggested that the quantity should be winded down to a level below 5,000 units per annum.

(c) Market Climate

HOS will bring a much serious impact on the private sector during market recession period. As the purchasing power of people is weaker under a recessed economy, developers will have to gear more towards the smaller size flat market to suit the affordability of market demand . This results in a more direct competition between the HOS and private developments for the low and lower-middle income prospective home purchasers. This was what actually had happened in 1982-1984.

Conversely, HOS would have a much milder impact under booming market conditions when purchasing power is high and market demand is strong. More people can afford and are willing to pay

more for private flats which have a wider choice of designs and locations.

Views of Independent Professionals

- 1) The effect of HOS on private sector residential market has changed over time. Before 1982, HOS did not have an apparent effect on the private market since the target groups were different. During that period, developers were mainly targeted on higher income groups since flat prices and interest rates were so high that could only be afforded by the higher income groups.

However, since 1982, the effect of HOS on private market became increasingly significant due to the following changes in circumstances :-

- a) Production level of HOS

The quantity of supply of HOS has increased substantially since 1982 and the supply of HOS in 1983 to 1985 was above 10,000 units per annum. This has a serious impact on the private sector especially when the property market was experiencing a recession during this period.

- b) Changes in Economic Factors

- i) The interest rate has dropped substantially from a high level from 1982 to the presently low level. This has greatly reduced the amount of the mortgage installment payable.

- ii) The price of private flats has dropped to

a much lower level.

- iii) The target groups of private developers has shifted downwards from the top-tier of the income pyramid to the middle and lower income groups as private developers adjusted their product strategy to suit the market need under recessed market conditions.

As a result, the target segments of the private sector and HOS are now become identical. Because HOS flats are well below the open market value, the sales of private flats are seriously affected.

- 2) This impact is increasingly significant, and will become more apparent in 1986 and 1987 following further relaxation of the eligibility criteria of 'White Form' Applicants by the government. The reason is that the market demand in the coming two years is forecasted to be more or less stable and lower take-up level than 1985 is anticipated as the large take-up rate in 1985 has saturated the 'latent' demand in the market resulted from the recessed periods.
- 3) The degree of effects is affected by the following factors:
 - a) Location

Since HOS projects are usually large scale, it

will affect more directly on comparable private flats located in the New Territories or remote areas since market demand in these areas is finite and limited which can easily be saturated. This leaves little opportunities for the private developments. Conversely, the effect is smaller on private flats in urban areas.

b) Production level of HOS flats

The larger the supply, the greater the impact since the target segments between HOS and private sector has become almost identical.

The target annual production of 10,000 units is high and need to be kept under monitor so that it will not create too significant market intervention. On the other hand, from a social angle this figure is a reasonable quantity.

c) Economic Climate

HOS will bring a greater effect on the private sector in a recessed market than a booming market because the purchasing power and market demand are weaker in the former situation.

Views of Socialist

- 1) The effect of HOS on private market varies in stages:-

In the early stage (before 1982), HOS had not much impact because the target groups of the

HOS and private developments were very different. The income limit restrictions of HOS had more or less differentiated its target groups from that of the private developers.

However, in 1982, the Sino-British talk created a very sensitive political situation which had resulted in a big slump of the property market causing flat prices to drop very substantially. Some private flats were even forced to sell below cost. In order to adapt to the weak purchasing power of the market, developers had geared more towards the smaller size flat market segment. This resulted in a serious overlapping of target segments with the HOS and the two were in serious direct competition.

Furthermore, the substantial drop of interest rate has made more formerly 'sandwich' class families to become affordable to private flats.

Overall speaking, HOS has caused some market confusion and a significant impact on private market especially during the recessed period in 1982-1983.

- 2) The seriousness of this impact is increasing because Government has further relaxed the restriction of the eligibility criteria of the 'White Form' Applicants.
- 3) The degree of impact depends on the supply and

demand situation of the market. HOS will cause greater impact in a recessed market than a booming market because market demand of the former situation is weak.

In connection with this, different quantity of supply of HOS flats will have different impacts under different market demand situations.

Views of Government Official

- 1) HOS did not have much effect on the private market especially in its early stage before 1982. However, HOS did have some effect in 1982-1983 during which the economy of Hong Kong was weak and market demand was low. At that time, it appeared that both HOS and private market were competing for a similar target market segment.
- 2) However, Government felt that such effect was only a temporary phenomenon. As market demand began to pick up, this phenomenon would be disappeared.
- 3) Disagreed that the HOS had caused much intervention on the private sector residential market. The price advantage of the HOS, approximately 25 percent discount on the current market value is reasonable and well justified in view of the stringent eligibility criteria and the resale restrictions.
- 4) Disagreed that the target groups of the HOS had

actually overlapped with that of the private sector. The reason is that for a similar flat size, say 50 metre square, the purchasers of HOS flats are in very different income bracket from that of the buyers of private flats. This is simply because the target groups of the HOS cannot afford to buy a similar size flats from the private market at the current price level.

Regarding the argument that if the HOS flat purchaser can afford to buy a 50 metre square HOS flat he will also be able to buy private flat with a same capital value although the size would be smaller than that of the HOS unit. The official pointed out that the government housing policy was on a long term basis rather than short term. Apart from supplying homes to the people, Government has a goal to supply 'reasonable' size accommodations to the people so that their long-term needs can really be satisfied. It was further pointed out that there was a rising expectation of the community for larger area accommodation (at least 50 metre square for a family of four persons). If people are forced to buy and live in smaller size accommodation because of their limited affordability, their wants and needs have actually not been satisfied.

Furthermore, it was pointed out that the target groups of the HOS had never been changed which remained to be the better-off public rental housing

tenants and the 'sandwich' class in private sector (who can neither afford to buy private flats nor eligible for public rental housing).

- 4) HOS affects more on private developments located in new towns and the New Territories than those in urban areas.

Effect on Pricing and Profit

Views of Private Developers

The degree of effect on pricing decision depends very much on the locality of the development concerned. HOS will affect more to the pricing of flats which located in the New Territories or remote areas, e.g. Tai Po, Tuen Mun, etc., but not so much on those in urban areas e.g. North Point.

Furthermore, because of the price advantage of the HOS which the private flats have no way to compete with, HOS has definitely taken away a portion of the potential customers in private sector for private flats. As a result, it increases the competition among the private developers themselves for the 'left over' demand in the market. Consequently, developers need to lower their profit margin and price to meet the keen competition. Therefore, HOS has an indirect effect on the pricing decision of private flats in general.

Views of Independent Professionals

HOS will generally make the market more competitive. Developers have to lower their price to meet the competition. The degree of effect on price decision depends on locality of the development concerned. Greater effect will be on those located in the New Territory areas. The low price of private flats in Tuen Mun is a good illustration.

Effect on the Strategy of Private Development

Views of Private Developers

Because there is no way to compete with the HOS, developers have adopted a general policy of avoiding head-on competition with the HOS whenever possible. The following strategies are used:-

1) Development Strategy

Right at the very beginning in the development stage at land bidding phase, developers will monitor very closely on the government's movement and check whether there will be any HOS developments in the same area. In case that there is HOS development, developers will check very carefully on the construction programme and the sales schedule of the HOS before they make their decisions on the type of development (size range, design, class etc.) More importantly, they will try to adjust their

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construction programme and their flats so as to avoid the head-on competition with the HOS.

2) Strategy on Location

Developers will try to avoid developing similar size and type of flats in those areas that have HOS developments. This strategy is particularly important for developments in the New Territories and remote areas. On the other hand, the developers will also consider the construction programme and sales schedule of the HOS so as to determine the significance of impact on their own developments as mentioned earlier. If they can launch the sales of their flats before the HOS, they may take the risk to go ahead with a comparable development.

3) Strategy on Size and Design of Flats

The basic strategy is to avoid head-on competition with the HOS. Therefore, developers tend to develop either flats of size larger than 60 metre square or size under 40 metre in particular in those locations that have HOS projects. The development of smaller size flats (under 40 metre square) is to try to narrow down the capital value differential with the HOS to attract potential customers.

Furthermore, developers may sometimes build in more flexibility to their developments by designing a range of different flat sizes in one single development project so as to suit a wider group of customers.

4) Strategy on Pricing and Payment Terms

To cope with the competition, apart from offering lower price, developers now have also arranged favourable terms of payment (percentage of down payment and mortgage rate) to attract their customers. Kornhill development was quoted as an example.

Views of Independent Professionals

Generally speaking, HOS does affect the strategy of private developments particularly in the aspect of locations which is reflected in their land bidding. Developers will be more careful in the New Territories where market demand is finite.

Views of Government Official

It may be a good thing that the HOS has indirectly forced the private developers to concentrate more on the upper market segment.

Socio-Economic Impact of the HOS

Social Stability

Views of Private Developers

Agreed that the HOS had enhanced social stability.

Views of Independent Professionals

Same as developers above.

Views of Socialist

HOS has a definite contribution in enhancing social stability. Since Hong Kong is mainly a Chinese society, people pay more attention to their family life and feel important to have own their homes. Through the HOS more people's wish for home-ownership can be satisfied. This would give a sense of security to the home-owners and would result in stronger sense of belonging, which is particularly important under the present political situation.

Views of Government Official

People will feel more content when owning their homes. This will enhance a stronger sense of belonging and make the society more stable.

Redistribution of Income

Views of Private Developers

HOS helps the lower income families by subsidising them to own their homes and thus results in a redistribution of income from the rich to the poor. However, if abuse occurs, there would be an unfair redistribution of income because there is no justification for the tax payer to subsidize the so-call 'poor' in purchasing their homes.

Views of Independent Professionals

Agreed that the HOS will result in a redistribution of

income from the higher to the lower income group.

Views of Socialist

Since the HOS is being subsidized by Government, it will result in a more fair redistribution of income from the higher to the lower income class. This may hopefully narrow down the polarization effect of the two classes and would minimize the potential of social unrest.

Views of Government Official

Agreed that the HOS will enhance a better redistribution of income from the rich to the poor.

Improve Standard of Living

Views of Private Developers

HOS has no direct significant effect on this. However, there is a trend that better quality building materials are being used and more facilities (e.g. better landscaping, etc.) have been incorporated in the design of residential developments which has upgraded the living environment. Developers considered that this trend was mainly because of the fact that the market had got more sophisticated and the social expectations and needs had become more demanding.

Views of Independent Professionals

Agreed that the HOS had generally improved the standard

of living in particular for the lower income families.

Views of Socialist

In general, HOS has improved the living environment of the lower income group. People will pay more attention to decorating and maintaining their homes.

Views of Government Official

HOS in general has improved the standard of living of the lower income group. In particular, the HOS has improved the living conditions of two groups of families through encouraging the better-off public housing tenants to purchase their own flats and surrender their units back to the government so that these can be re-allocated to those more needy families.

Motivate Home Ownership

Views of Private Developers

HOS has only motivated some 'border line' case families to purchase their own homes. However, developers doubted very much about the number of such families which is expected to be rather insignificant.

Views of Independent Professionals

Yes, especially at the early stage of the Scheme when it motivated some lower income families to purchase their

homes.

Views of Socialist

HOS has made more people to become affordable in acquiring their homes especially in the early stage of the Scheme.

Views of Government Official

HOS has attracted and motivated people to purchase their own homes.

Increase Market Demand

Views of Private Developers

There may be a 'marginal' increase in the total market demand. HOS has converted some 'border line' case families to become home owners. However, because of the large overlapping of target groups between the HOS and private flats, such marginal increase will not benefit the private market. On the contrary, developers felt that the large supply of HOS flats (10,000 units per annum) had an adverse effect of taking away a portion of the market from them. Furthermore, the HOS harvests some of the premature potential customers of private flats.

Views of Independent Professionals

The demand for housing always exists. Price, however, is the key factor in determining the 'market demand' for

houses. As long as the price levels of flats fall within the affordability limits of the people, there is 'market demand'.

Because of the price advantage of HOS flats, more people have become affordable and hence the 'market demand' has been increased especially at the early stage of the Scheme. HOS had converted the potential housing demand of the lower income group into actual market demand.

However, because of the substantial drop in private flat price since 1982, the target groups of the HOS and the private sector have greatly overlapped. As a result, the increase of 'market demand' has been greatly reduced and becomes fairly marginal.

It was agreed that the HOS had an effect of harvesting the premature customers of private flats.

Views of Socialist

HOS has enlarged the market demand especially at the early stage of the Scheme, since it attracted new prospects which were quite different from the target group of private sector.

However, because of the overlapping of target groups between the HOS and private flats in recent years, the increase in market demand has been greatly reduced.

Views of Government Official

HOS has increased the market demand but the increase is not significant.

Create Employment

Views of Private Developers

The effect is insignificant since Hong Kong is very near full employment situation. HOS may cause a larger demand for work force in the building industry. It will only create competition for labour with other industries during booming economy because of the full employment situation. It does however provide some employment opportunities during recessed economy but the effect is not significantly important.

Views of Independent Professionals

Agreed that it would bring marginal increase in employment opportunity since the HOS was a Government expenditure.

Views of Socialist

HOS may increase the employment opportunity of the construction industry.

Views of Government Official

Apart from increasing the employment opportunity of the

construction industry, it may also benefit the related business in particular those related to the decoration of new flats. This may have an indirect effect in activating the economy.

Effect on Inflation

Views of Private Developers

To a certain extent, it heads off the vagaries of private flat price caused by speculation, and through chain reactions, it creates a neutralization effect on the general consumer price and keeps down inflation.

Views of Independent Professionals

HOS can only slow down the increase but not stabilize the flat price. Therefore, it may slow down the inflation.

Views of Socialist

It is not the objective nor function of the HOS to stabilize the private flat price level. However, the HOS does have an indirect effect of suppressing unreasonable and speculative flat prices because the selling price of the HOS gives a flat cost indication to the people. Therefore, the HOS has an effect of slowing down the increase of flat prices. Consequently, through chain reactions, there is an indirect effect in slowing down inflation.

It was further pointed out that the political uncertainty

was a more significant factor in explaining the substantial price drop of real properties in 1982 as people's intentions to invest in particular for the long term ones were seriously affected. This weak investment intention caused a weakening in the economy and consequently the purchasing power for properties as housing is a long term investment.

Views of Government Official

HOS will have the effect of suppressing the vagaries of flat prices. It will result in slowing down inflation.

Disturbance to the Free Market

Views of Private Developers

Developers felt that the government had gone a bit too far and had intervened the market and violated the free competition policy (Laissez-faire-policy). It has remained to be a threat to the sales of smaller private flats. Furthermore, it has created a totally unfair competition because Government has an absolute advantage in the land cost element and has a priority in choosing better site locations. Tai Po and Kornhill development were quoted as examples.

Views of independent Professionals

The disturbance is not really significant even though the HOS does bring some impacts to the property market.

Complete Laissez-Faire policy may not always work and may not benefit the society as a whole.

Views of Socialist

Although HOS has brought some impacts on the private sector, it does not really create much disturbance to the free market as a whole at the present moment. However, if the situation continues, it may cause intervention to the private market.

Views of Government Official

Disagreed that the HOS had caused much disturbance to the private market. What had happened in the last few years was only a temporary phenomenon.

Effect on Land Supply and Land Price

Views of Private Developers

Developers had quite a strong reaction on the issue of land supply. They complained that there was always a shortage of land supply to the private sector for residential development which to a certain extent had affected their production. The introduction of the HOS will definitely take away part of the available land supply (because developers felt that Government had given priority to the HOS in land allocation). As a result, the supply of residential usage land to the private sector will be reduced. This will cause a keener

competition amongst developers themselves in the bidding for land which will increase the land price and lower the profit margin of developers.

Views of Independent Professionals

HOS does take away some of the land supply, however it should not have much effect on the land price because developers themselves always have a ceiling price during land bidding. The increase of land price will be very marginal if any.

Views of Government Official

HOS will not cause much effect on the land supply and land price.

Waste of Resources

Views of Independent Professionals

Disagreed that HOS was a waste of resource. It is just a form of redistribution of income. Especially in the case of PSPS where Government has actually obtained money income in terms of land premium from private developers. Even though there is subsidy involved in the Scheme, it can be fully justified from its social contribution.

The only possibility of causing waste of resources is when abuse occurs in which the subsidy of the HOS has been given to some dishonest applicants (mainly White Form

Applicants) who have underreported their income which otherwise would not be eligible. Nevertheless, such cases rarely happen.

Recycling of Government's Resources

Views of Government Official

Unlike public housing, HOS brings a quick recycling of Government's money capital. Since the Scheme is an 'one-off' subsidy, Government can get back the money capital invested once the flats are sold, and can be used to increase the housing stock.

Other Opinions and Suggestions

The Role of HOS

Views of Socialist

- 1) Supported the original Government's objective of the ten-year expanded public housing programme to solve the unfulfilled housing demand and satisfy the wish of home-ownership of the 'sandwich' class.
- 2) HOS should aim at satisfying those people who genuinely need Government's assistance in purchasing their homes which they cannot afford to buy from the private market.
- 3) HOS should play a supplementary role instead of a regulatory role of the market supply. It should not

monopolize the market.

- 4) The target groups of the HOS should always be the public housing tenants and the 'sandwich' class in the private sector. The HOS should target more on the lower income group.

Views of Government Official

- 1) HOS plays the role of 'filling the vacuum' in the housing market. That is, it provides the type of housing that the private market is unable to produce, so as to fill the unsatisfied home-ownership needs.
- 2) However, the HOS does not play a 'regulatory role' in the supply of the market since this is not the objective of the Scheme.
- 3) The target groups of HOS has always been the 'better-off' public housing tenants and the 'sandwich' class in the private sector.

Positioning of the HOS in the Market

Views of Private Developers

HOS should be positioned outside the market segments that were previously occupied by the private developers. The overlapping of target markets should be minimized. It was hoped that the HOS could create its own market rather than taking away a portion of the market segment from the

private sector.

Views of Independent Professional

- 1) HOS was at the right positioning at the early stage of the Scheme which headed-off the destabilization of family life problem and brought positive socio-economic impact. However, because of the considerable change of economic factors since 1982, the target groups of the HOS and private developers have greatly overlapped and caused adverse effects on the private sector. Therefore, the positioning of the Scheme should be critically reviewed.
- 2) HOS should target more on the lower income groups and therefore should position itself more towards the lower end of the market just above the bottom market segment of public housing.

Views of Socialist

- 1) HOS should target more on the lower income segment and try to position itself to minimize the intervention to the private market since supply and demand is best determined by the free market force.
- 2) However, when the market supply cannot meet the demand and causes speculations, social unrest and political problems, Government should then take necessary action to intervene.

Views of Government Official

HOS should target on lower income groups in particular the 'sandwich' class who genuinely need Government's assistance in owning homes, and the better-off public housing tenants.

Furthermore, the HOS should be expanded downward towards the lower end segment of the market.

Production Level of HOS

Views of Private Developers

- 1) The smaller the quantity, the better to the developers. The quantity should be reduced to a level somewhere below 5,000 units per annum.
- 2) Government should keep control on the quantity of HOS production in relation to the supply and demand situation of the market as well as the state of the economy (which affect the purchasing power of people) so as to avoid market intervention. The supply of the HOS should match with the actual size of 'sandwich class' which changes over time.

Views of Independent Professionals

Since there is already adequate supply from the private sector, Government should gradually wind down the

quantity of production of the HOS in stages to below the current 10,000 units. At the same time, HAKOS should gradually be replaced by PSPS. Government should concentrate more towards the lower income groups in the development of public housing.

Views of Socialist

The quantity of supply of the HOS should consider the following:

1) Actual market situation at the period

This includes the market supply from the private sector and the anticipated market demand situation. For instance, if market demand is big while market supply from the private sector is insufficient, larger quantity of HOS can be supplied since the market can absorb them without much influence on private sector.

2) The purchasing power or affordability of people at the period. The purpose is try to minimize the market intervention. Government must be very careful in determining the appropriate income limit restriction of the HOS under different market conditions.

Conclusively, Government should adjust the quantity of supply of the HOS according to different market situations, and it should play the role of supplementing the market rather than to monopolize.

Views of Government Official

The target production of 10,000 HOS units per annum is a reasonable quantity. In fact, from the fact that past HOS sales exercises were heavily oversubscribed, it reflects the supply still cannot satisfy the large outstanding demand. Therefore, further expansion of HOS production may be necessary, otherwise, it may frustrated the unsuccessful applicants because of the long waiting time.

However, it was agreed that the direction of expansion should target downwards to the lower end of the market and gear more towards the lower income groups.

Allocation to 'Green' and 'White' Form Applicants

Views of Private Developer

- 1) Agreed that HOS flats should be allocated more to public housing tenants (Green Form Applicants)
- 2) However, they disagreed to limit the HOS only to public housing tenants since this will not result a fair redistribution of income to wider sectors of the community.
- 3) Disagreed that the HOS should be extended to every class in the society because it will convert the Scheme into a kind of social welfare to everybody of the community which Hong Kong cannot possibly afford to do so under the present situation. Hong Kong should not be changed into a welfare state,

otherwise no-body will work hard and the economic growth of the Hong Kong will be affected.

Views of Independant Professionals

- 1) Agreed that a larger proportion of the HOS should be allocated to the Green Form Applicants.
- 2) Disagreed that the HOS should be extended to all other classes since under the present limited resources, Government should allocate its resources only to those classes of people who are genuinely in need of such subsidy.
- 3) Supported the concept of subsidy of the HOS to the lower income groups.

Views of Socialist

- 1) A larger proportion of the HOS should be allocated to the public housing tenants. It is estimated that only approximately 20,000 out of 80,000 'Green Form' Applicants were successful in getting HOS flats. This indicates that the demand for the HOS from public housing tenants has not been adequately satisfied.

Government should try to attract more public housing tenants to buy HOS flats. Conversely, more restrictions should be imposed onto 'White Form' Applicants. If necessary, Government may consider to sell the HOS to 'White Form' Applicants at a higher

price or under different terms. This may reduce the overlapping of market segments with the private sector.

- 2) However, HOS should not only be allocated to public housing tenants because it will be unfair to the genuine 'sandwich' class. In the process of allocation of resources, Government must take care of the needs from various sectors of the society on a perspective. It is important to provide more channels and opportunities to different sectors to get access to the benefits by the Government.
- 3) Disagreed the idea that the HOS should be extended to all classes so that everybody has an equal opportunity to obtain Government's subsidy. The reason being that some classes of people would require more assistance and subsidy than other classes.

Furthermore, the objective of the HOS is not intended to be a social welfare but to solve the potential social problems that may be arisen from the unsatisfied housing needs of the 'sandwich' class.

Views of Government Official

- 1) Agreed that a higher percentage of HOS flats should be allocated to the Green Form Applicants.
- 2) Disagreed the idea of giving equal opportunity of

housing subsidy to everybody in the society because of limited resources of the Government. There is no such political need in Hong Kong to please the voters as in other countries.

Opinion on Income Limit

Views of Private Developers

- 1) Objected to Government's recent relaxation of Income Limit restriction since it would further affect the private sector.
- 2) Government should be very careful in determining the appropriate income limit of 'White Form' Applicants. This is particularly important during market recession period.

Views of Socialist

- 1) The income limit restriction of the HOS should be carefully determined with reference to the interest rate (or mortgage rate) and the market price level at the period.

Through comparing the market price of private flats and the amount of installment required at the prevailing mortgage rate, the minimum income level that can afford private flats can be found. This will represent the ' top line ' of the target market of the. On the other hand, the ' bottom line ' can

be derived from the income level just above the maximum income limit of public housing. The range between the two lines represents the ' sandwich ' class people who need Government's help in their home purchase.

- 2) The income limit of the HOS should be reviewed periodically base on the above principle to ensure it always falls in between the ' top ' and the ' bottom ' lines of the target market. Only through appropriate adjustment of income limit restriction, the government can achieve the original objective of helping the ' sandwich ' class without causing competition and detrimental effects to the private sector.

Opinion on PSPS

Views of Private Developers

- 1) PSPS is more preferred to HAHOS. The reason being that under PSPS , developers would have the opportunity to participate the development through fair bidding amongst themselves. It also benefits the government because the government may obtain higher land premium through competitive bidding. Finally, it does not affect the ultimate home buyers since the selling price is fixed by the government.
- 2) However, PSPS is not a compromise nor a half way solution to the conflict between the HOS and the

private sector. PSPS can only be regarded as a slightly better approach to tackle the problem of conflict, (some developers doubted that PSPS is not really the government's intention to compromise the conflict).

- 3) Only marginal profit can be made from PSPS through optimal design of the development.
- 4) Instead of an open tender system to any developers, Government should lay down some prequalifications to the tenderers so as to avoid the danger of substandard production from some unqualified developers who try to make larger profit.
- 5) The present monitoring system of PSPS needs to be improved.

Views of Independent Professionals

- 1) Agreed that the PSPS was more preferred by the developers because they could have the opportunity to participate and would reduce in some extent the direct competition between Government and the private sector.
- 2) Agreed that the MAHOS should gradually be replaced by the PSPS since developers could get more involvement and therefore the government could better utilize the expertise and resources of the private sector. In general, the private sector is more efficient and effective than the government.

Views of Socialist

- 1) Agreed that the PSPS was a good alternative for HAHOS flats production. Under the PSPS, developers can participate and make contribution to the society. At the same time, Government can obtain income from the PSPS and the home buyers can enjoy the same benefits since the selling price is fixed by the government.
- 2) Agreed that more PSPS developments could reduce intervention to the market.

Views of Government Official

- 1) PSPS should be continued because the private sector could participate and made contribution to the society.
- 2) However, the present working mechanism of PSPS has some drawbacks:-
 - (a) Financially, it is sometimes risky to the government because of the 'rigid pricing' policy of the PSPS. A guarantee flat price was fixed at the tender stage, which is approximately 24 months before completion and sales. However, the final selling price will be determined by the government base on the market situation some 6 months prior to the completion. This would mean that Government may have to bear a financial risk of making a

loss in case of a falling market condition.

- (b) The monitoring of PSPS may be a problem because some developers will do a good job while some will not. A more comprehensive monitoring system is required.
- (c) PSPS seems to benefit only those construction base developers.

Is HOS still needed?

Views of Private Developers

- 1) Some developers considered that the HOS was not really needed at the present situation since there was sufficient supply of flats from the private sector. Government should think about other alternatives such as concentrating more on public housing development to help the lower income group to solve their housing problems.
- 2) On the other hand, some developers considered that the HOS was still needed because of its important factor to keep the society stable especially under the present political situation of Hong Kong. However, Government must keep control on the quantity of production. Otherwise, it may force some small private developers to run out of business. The supply of HOS flats should be adjusted according to the actual size of ' sandwich ' class. Since the

size of it changes over time.

- 3) However, one interviewee strongly felt that the HOS was not needed from the very beginning. If the establishment of the HOS was to head-off the speculation in the property market, Government could actually achieve a same result simply by keeping the public well informed on the current and anticipated future market supply (including quantity, location, size, etc.). Such information would preferably be publicized and announced regularly as these were readily available to the government.

Views of Independent Professionals

- 1) HOS should be continued because of its socio-economic contributions, in particular, its effect on slowing down the surge of real property price and enhancement of social stability.
- 2) However, the production level and its direction of future expansion are critical issues.

Views of Socialist

Certainly HOS is still needed since a large demand has not not been satisfied. HOS will no longer be needed only when there is no more ' sandwich class ' people.

Views of Government Official

- 1) HOS will no longer be needed if the private sector

can supply sufficient flats affordable by the 'sandwich' class.

- 2) Under the present situation, there is a need to continue the Scheme.

HOS in Future

Views of Private Developers

- 1) HOS should be positioned outside the market segments of the private sector.
- 2) The expansion of the HOS should keep pace with the changing social and economic circumstances so that it can always match with the actual size of its intended target groups which will also change over time.

Views of Independent Professionals

- 1) HOS should target more on the lower income segments. Therefore the direction of expansion of the HOS should move downwards to the lower end of the income pyramid which has a larger base.
- 2) It was suggested that depending on the amount of expenditure or subsidy needed, the government might consider the feasibility of supplying some cheaper but lower standard HOS flats, so as to satisfy the wishes of home-ownership of more people. It was believed that a strong demand persisted in the low

income families.

- 3) If the supply of cheap HOS flats proved to be feasible, Government might consider gradually reducing public rental housing developments and gear more towards subsidizing the HOS.

Views of Socialist

- 1) HOS should be diversified into more varieties in terms of price range, standard and design (e.g. some with room partitioning and some without) so as to better meet the different needs of the target groups.
- 2) Under a same budget of housing subsidy, Government may consider producing more lower standard HOS flats which can be sold at a cheaper price and reduce the production of public housing. This will better satisfy the growing wishes of home-ownership of the community. In addition this will give a quick recycling of capital for building the housing stock.

Views of Government Official

- 1) HOS will continue to play the role of 'filling the vacuum' in the housing market.
- 2) If necessary, it will further expand the production level to meet the outstanding demand.
- 3) HOS will try to control the production level through monitoring closely on the market situation.

However, Government may have technical difficulties in forecasting the changes in market climate.

- 4) Agreed that the direction of expansion of the HOS should move downward towards the lower end of the market and target more on the lower income groups.

The Effect of 50 Hectare Limitation on Land Supply

Views of Private Developers

50 hectare are quite sufficient under the present conditions. However, the allocation of land for residential user is limited as the HOS will take away part of the residential land supply.

Views of Independent Professionals

50 hectare should be quite sufficient under the current situation. Furthermore, it is given to understand that the Chinese government are quite flexible on this limit.

Capacity of Private Sector

Views of Private Developers

- 1) Developers were confident that they had sufficient expertise, resources and capacity to produce enough flats to meet the 'market demand' (i.e. the demand at the current market price level) but not to satisfy the housing shortage of Hong Kong.

Developers also pointed out that the main reason for

insufficient production from the private sector was because of the limited land supply by the government.

Views of Independent Professionals

- 1) Agreed that private developers had sufficient expertise, resources, and capacity for to meet the market demand. The limited supply of suitable land to private developers is the main reason that limits the production of private sector.

Miscellaneous Opinions

From Private Developers

- 1) From developers' point of view, they will definitely object the existence of the HOS since it is an unfair competition to them and takes away part of their market and has impose an adverse effect on their sales and profit.

However, from a social point of view, the HOS has its contribution in stabilizing the society through helping the lower income group to achieve their home-ownership wishes.

- 2) The current resale restrictions of HOS flat is not very effective. This will not influence significantly the decision of the prospective buyers as instead of selling the HOS flat back to the

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government, the HOS owners will buy additional private flats if they become more affluent. This is quite different from the behaviour of private flat owners since they will sell their existing flat in exchange for a larger unit.

- 3) Government should keep developers well informed about the HOS future development programme which would clearly indicate the quantity, location and timing of sales of HOS developments so that private developers could adjust their plans to avoid head-on competition.

From Socialist

Government should consider selling public housing tenants their existing units. Informal studies showed that this idea is supported by many tenants and financial institutions.

CHAPTER VI

OBJECTIVE ANALYSES

As can be seen from the interview findings that there existed very diversified opinions and statements amongst the interviewees. This is understandable as they represent different sectors of the community and might not necessarily share a common point of view. Therefore, it would be purposeful for this research project to carry out some objective analyses to verify those interesting and controversial statements extracted from the interviews. In view of the scattered data and limited availability of information, it would be very difficult, if not impossible, to build statistical models for detailed analysis. It is hoped that by careful observation on the data collected, some meaningful inferences and conclusions can be drawn.

Analyses have been carried out on the following eight topics:-

- 1) Review of Current Situation
- 2) Supply of Residential Flats - Both HOS and Private Sector
- 3) Private Domestic-Supply, Take-up and Vacancy
- 4) Price Indexes for HOS and Private Sector Housing

- 5) Analysis of Target Market of HOS
 - Eligible Households in Private Sector
- 6) Analysis of Successful Green Form/White Form Applications
- 7) HOS Flats in the New Territories
 - Analysis of Origin of Successful White Form Applicants
- 8) Comparison Between Open Market Mortgage Rates and HOS Mortgage Rates

Analysis 1

Review of Current Situation

Observations

- 1) The population has risen from 4,597,000 in 1978 to 5,412,000 in 1985 (mid-year figures), about 17.7 percent increase.
- 2) The number of domestic households has increased from 993,400 in 1976 to 1,407,100 in 1985, about 40.8 percent increase and an average of 45,300 net new households formed per year.
- 3) The stock of permanent living quarter has also increased from 391,800 units in 1978 to 1,291,300 units by 1985, about 44.8 percent increase and an average of 57,071 net new units completed per year.
- 4) The Gross Domestic Product (G.D.P.) in real terms

increased by 6.5 percent per annum during 1980-1985. The corresponding per capita G.D.P. growth rates was 5.0 percent per annum during this period.

- 5) The growing trend towards home-ownership is further confirmed by the followings:
 - a) The percentage of owner-occupier household in private permanent housing has increased from 39.9 percent in 1981 to 48 percent in 1985; and
 - b) the percentage of new flats owner occupied has also increased from 77.6 percent in 1981 to 77.8 percent in 1984.
- 6) The net supply of new housing units by private developers for the period 1978 - 1984 is 164,700, averaged about 23,528 unit per year.
- 7) The total supply of public housing, including rental estates, HANOS and PSPS, for the period 1977/1978 - 1984/1985 amounts to 244,798 units, averaged about 30,600 units per year.
- 8) The consumer price index (CPI) has risen as shown in Table 8.
- 9) The sources of the above figures are:
 - a) Census and Statistics Department
 - b) Housing Department
 - c) Rating & Valuation Department

Conclusions

- 1) There is an increased demand for housing as a result of

TABLE 3

CONSUMER PRICE INDEX

	<u>CPI (A)</u>	<u>CPI (B)</u>
1976	71.5	72.0
1978	80.1	80.5
1980	103.3	103.3
1982	130.3	129.8
1984	154.9	154.7
1985	159.8	160.1

Note:

CPI (A): household expenditure \$1,000 -
\$3,499, covers 50 percent of
households

CPI (B): household expenditure \$3,500 -
\$6,499, covers 30 percent of
households.

Base Year: 1979/1980 Household Expenditure
Survey

population growth and the increasing number of new households formed.

- 2) The community in general is more affluent.
- 3) The rise in general price level has risen only moderately during the period 1982-1985 with 29.5 index points as compared with 40.8 points for the

period 1979 - 1982.

- 4) There is a growing trend of home-ownership.
- 5) Although the average net supply of new housing ,both private and public, per year has exceeded the average net number of new households formed per year, thereby satisfying some of the existing demand, there is still about 115,800 units deficiency in 1985. It will take about 10 years for the present rate of supply of new housing to meet this deficiency assuming both the housing supply and new households formed remained constant for the next 10 years.
- 6) Government is playing a more important role in housing supply since 1979/1980 when the public sector production first exceeded that of the private sector. The average production of public housing is 30,600 units per year as compare with 23,528 units per year of private sector production.

Analysis 2

Supply of Residential Flats

-Both HCS and Private Sector

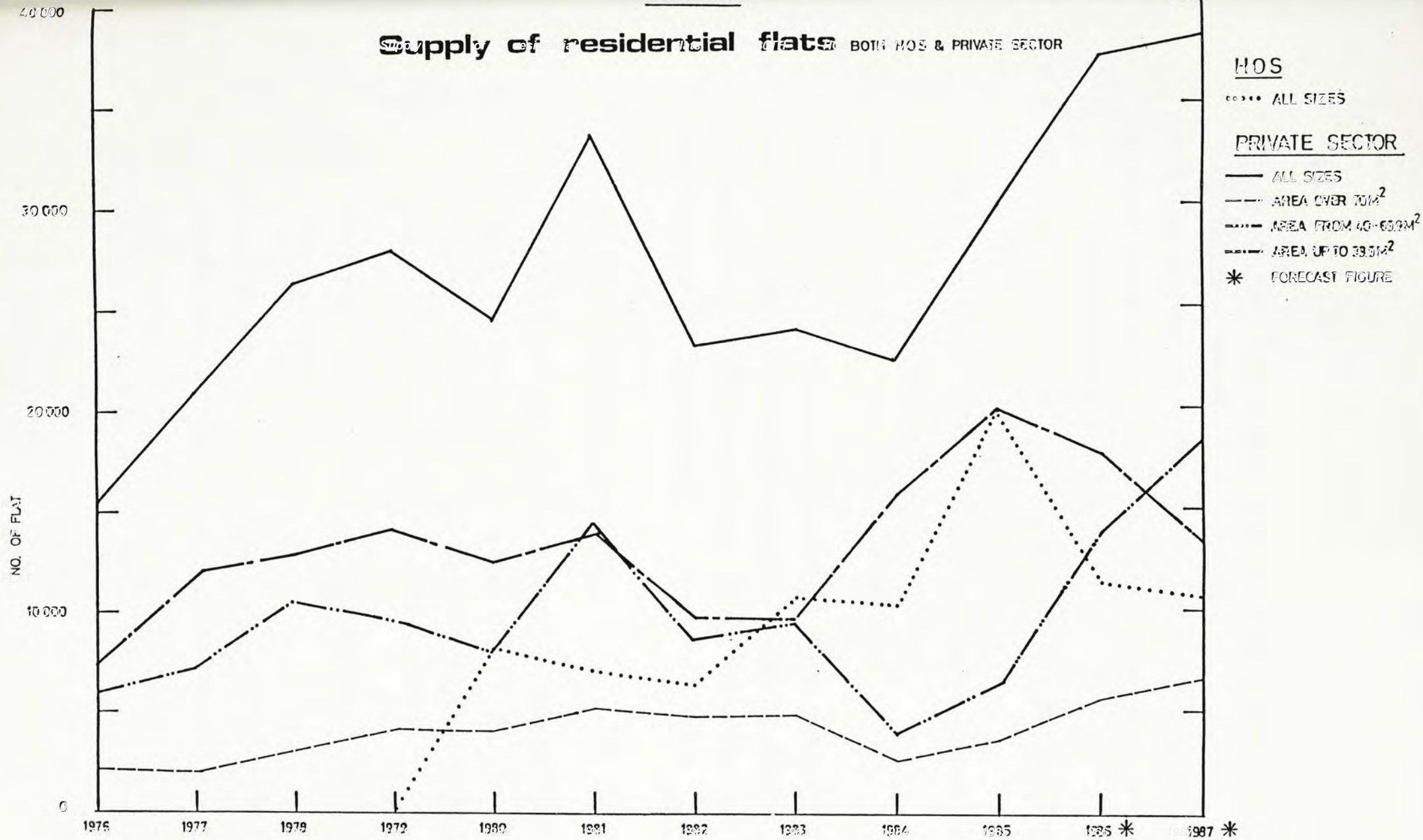
(Please refer Figure 4,p.95)

Definition

Private sector domestic units are categorised by

FIGURE 4

Supply of residential flats BOTH HOS & PRIVATE SECTOR



SOURCE : RATING & VALUATION DEPARTMENT
HOUSING DEPARTMENT

reference to floor area as follows by the Rating & Valuation Department:-

Class A: covered area not exceeding 39.9 metre square.

Class B: covered area of at least 40 metre square but not exceeding 69.9 metre square.

Class C: covered area of at least 70 metre square but not exceeding 99.9 metre square.

Class D: covered area of at least 100 metre square but not exceeding 159.9 metre square.

Class E: covered area of at least 160 metre square

The floor areas of typical HOS flats ranged from 31.4 metre square to 55 metre square, with an average of about 43 metre square covered area for HAHOS units and 46 metre square for FSPS flats.

Observations

- 1) The supply of HOS and the supply of Class B units, which is comparable in size, moved in distinct opposite directions, i.e. when the supply of HOS is high, the supply of Class B units is low.
- 2) There is a trend for the supply of Class B and above units to increase.
- 3) There is a dropping trend of the supply of Class A units after reaching its highest level in 1985.
- 4) The supply of HOS flats is forecasted to remain fairly constant at about 10,000 units per year after 1985.

- 5) The supply of HOS as a percentage of the different classes of private sector housing is shown in Table 9.

It can be seen from the table that the supply of HOS flats is very significant for the period 1983-1985, more than 60 percent of the supply for Class A+B, and about 52 percent of the total private sector supply.

Inferences

- 1) It would be very difficult to ascertain whether HOS had in the past complemented the supply of Class B units or the private sector reacted consciously towards the supply of HOS. However, as given to understand that Government normally plans more advance into the future and take very little account of private sector supply, it would appear that private developers had been very careful in monitoring the supply of HOS and responded to it to avoid direct competition.
- 2) There is a trend for private developers to produce more medium and large-size units. The increase in the supply of Class B and above units might be due to the speculation of a strong market demand for these units as a result of increased affordability of prospective home purchasers indicated by the success of the large quantity of HOS flats at comparatively high flat selling prices put up for sale in 1984/1985.

TABLE 9

PERCENTAGE OF HOS FLATS IN PRIVATE HOUSING

<u>Year</u>	<u>HOS</u>	<u>Class A</u>	<u>Class B</u>	<u>Class A+B</u>	<u>Total Private Sector Domestic</u>
1979	265	14,055 (1.9%)	9,585 (2.8%)	23,640 (1.1%)	27,795 (0.9%)
80	8,313	12,450 (66.8%)	7,995 (10.4%)	20,445 (40.7%)	24,490 (33.9%)
81	7,046	13,895 (50.7%)	14,360 (49.1%)	28,255 (24.9%)	33,475 (21.0%)
82	6,404	9,670 (66.2%)	8,665 (73.9%)	18,335 (34.9%)	23,140 (27.7%)
83	10,606	9,530 (111.3%)	9,440 (112.4%)	18,970 (55.9%)	23,860 (44.6%)
84	10,279	15,645 (65.7%)	3,900 (263.6%)	19,545 (52.6%)	22,270 (46.2%)
85	19,854	19,930 (99.6%)	6,325 (313.9%)	26,255 (75.6%)	29,875 (66.5%)
*86	11,384	17,700 (64.3%)	13,750 (82.8%)	31,450 (36.2%)	37,140 (30.7%)
*87	10,646	13,315 (80.0%)	18,245 (58.4%)	31,560 (33.7%)	38,085 (28.0%)

*: Forecast Figures

Sources: Rating & Valuation Department, Housing Department

- 3) The drop in the supply of Class A units might be due to:
- a) Increase in affordability of prospective home purchasers as a result of reduced mortgage rate and low price level of private sector housing.
 - b) A rise in housing expectation for larger accommodation of the community at large.
 - c) Head-on competition with HOS flats as flat selling price of these two types of housing are within a similar range but HOS flats have a much larger floor area and thus have a definite advantage.

Conclusions

- 1) Because the supply of HOS flats represents a very substantial percentage of the total private housing production, it will create a significant competition with the private developers, especially within the categories of Class A & B units.
- 2) The success of the large supply of HOS flats in 1984/1985 indicates that there is a strong market demand for medium-size units at moderately price level. It would appear that private developers are speculating on the existence of a left-over demand for medium-size units in the market and have therefore decided to increase the supply of Class B units in 1986 and 1987.

- 3) As a result of the decline in the demand for Class A units, reasons of which have been explained, private developers are therefore forced to move towards producing more medium to large-size flats.
- 4) There is also a trend for private developers to further diversify into producing more class C, D and E units so as to minimize or even totally avoid any head-on competition with the HOS.

Analysis 3

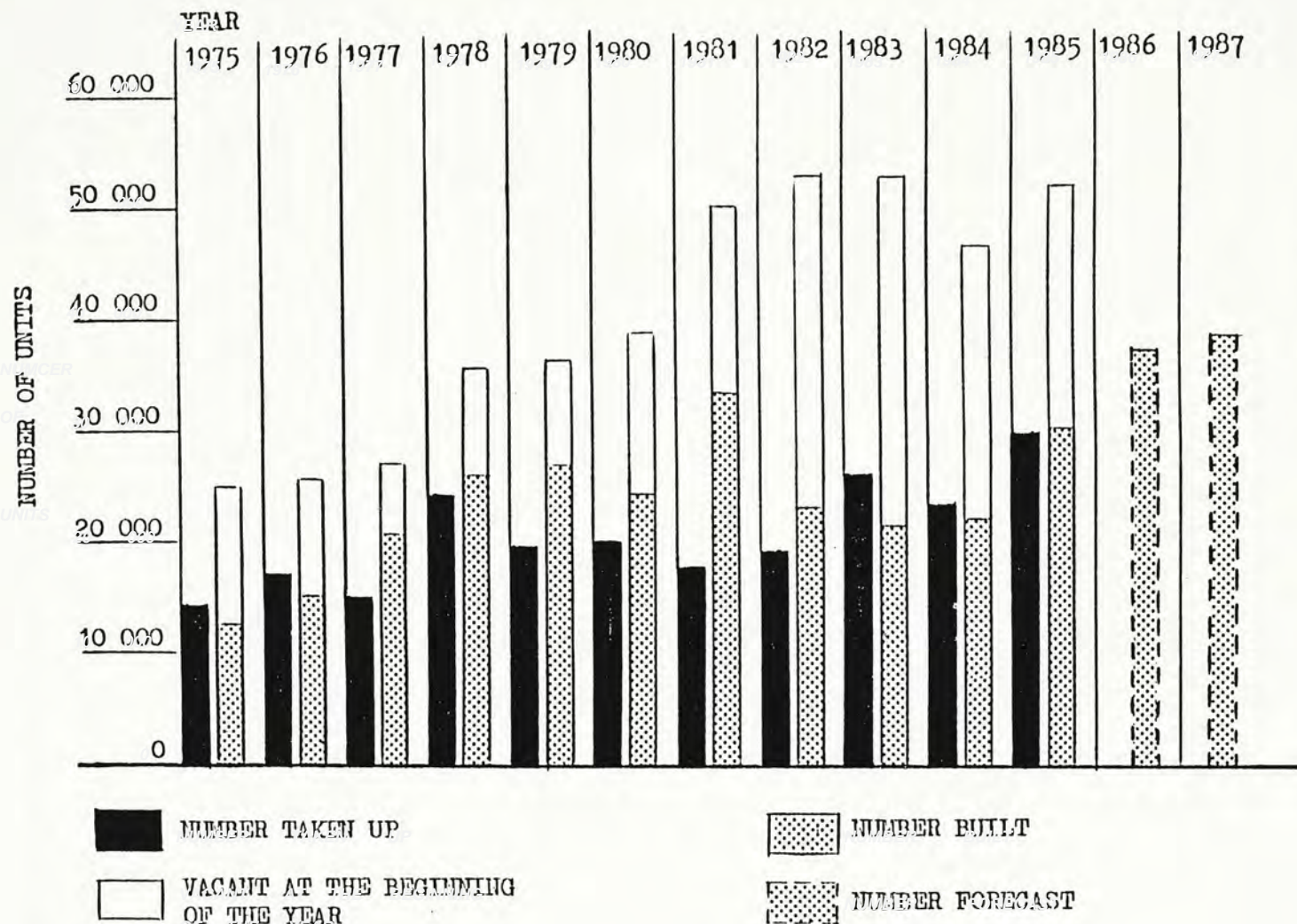
Private Domestic-Supply, Take-Up And Vacancy

(Please refer Figure 5,p.101)

Observations

- 1) The supply of private domestic units exceeded the take-up from 1977 to 1982. Although this situation reversed in both 1983 and 1984, take-up fell below supply again in 1985.
- 2) The number of vacant units reached the highest in 1982 at 31,180 units, and began to fall in the following three years at a moderate rate. The average figure for 1981-1985 is about 25,900 units per year.
- 3) The average supply for the period 1973-1985 is 26,000 units per year.
- 4) The supply is forecasted to be 37,000 units and

PRIVATE DOMESTIC - SUPPLY, TAKE-UP AND VACANCY



NOTES

- Figures prior to 1980 exclude Outlying Islands.
- The 1975 figure excludes Mainland New Territories.

38,000 units for 1986 and 1987 respectively, both exceed the average supply figure by about 44 percent.

- 5) The average take-up for the period 1978-1985 is 22,600 units per year. However, the take-up was 29,505 units in 1985, which is about 30 percent higher than the average figure.
- 6) For the period 1978-1985, whenever the take-up exceeded 25,000 units in a year, for example in 1978 and 1983, it would drop below this figure in the following year(s).

Inferences

- 1) The market saturation point for private domestic properties for the past eight years appears to be 25,000 units per year.
- 2) As the take-up in 1985 surged to nearly 30,000 units, this would have the effect of saturating the latent demand in the market. It is therefore forecasted that the take-up will start to fall in 1986 and most likely also in 1987.
- 3) The increase in supply for 1986 and 1987 is probably due to the speculation of market recovery indicated by the high take-up rate in 1985.
- 4) The vacancy number has maintained at high level for the past five years, and has not dropped

significantly from the highest point in 1982.

Conclusions

- 1) If the take-up rate should fall in 1986 and 1987 as predicted, the large quantity of supply forecasted in these two years will push the vacancy to a new high level. This will have the effect of slowing down construction activities and reduce supply after 1987.
- 2) Since demand is predicted to drop to normal level as the high take-up in 1985 had already saturated the latent demand in the market, and at the same time the supply in 1986-1987 is substantially higher than the market saturation point, the supply of 10,000 units per year of HOS flats will have a more apparent impact on the saleability of comparable (both in terms of price and size) private sector domestic properties. This basically verifies the concerns expressed by the private developers, independent professionals and social representative interviewed.

Analysis 4

Price Indexes For HOS And Private Sector Housing

(Please refer Figure 6,p.105)

Observations

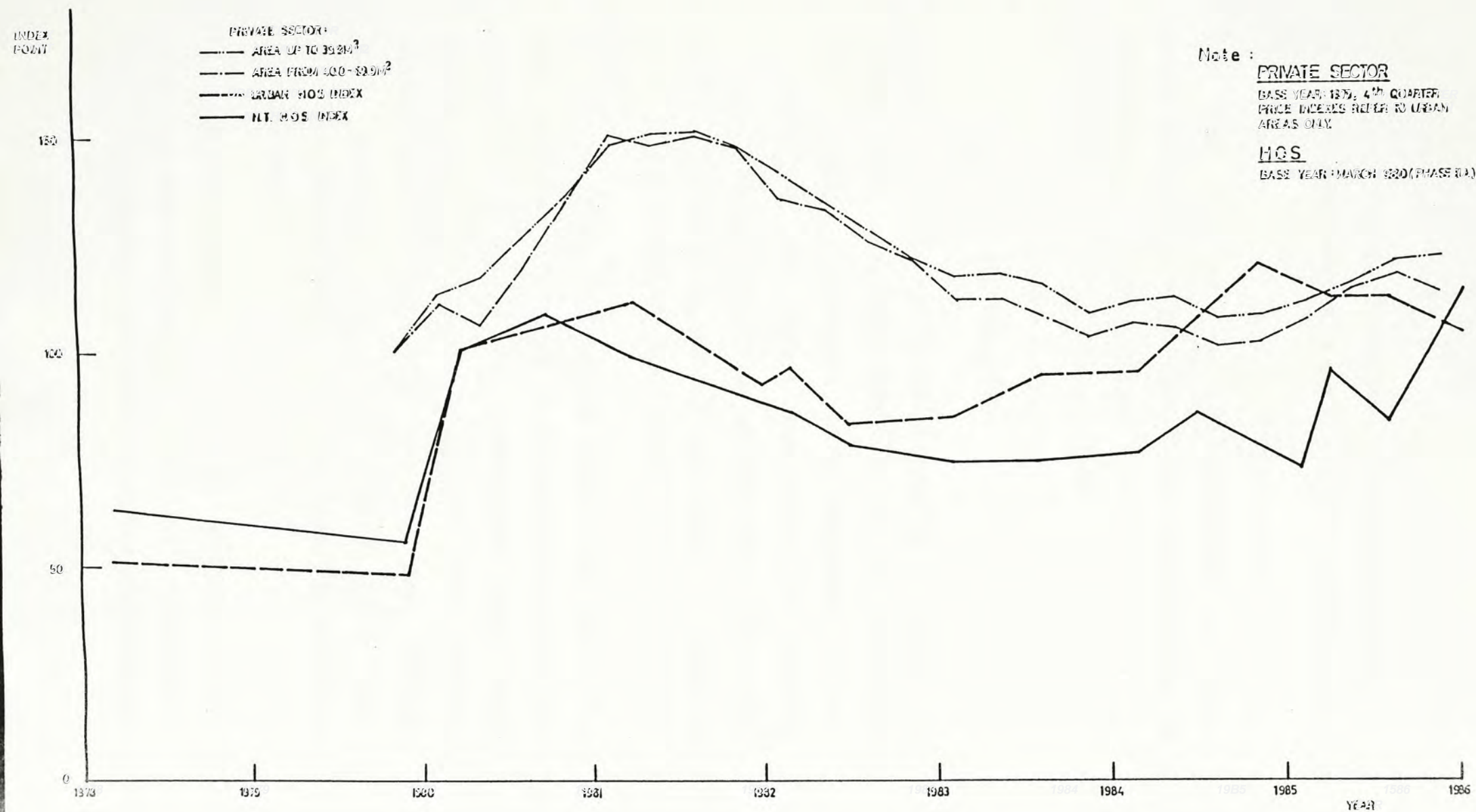
- 1) The price indexes for the two types of housing, after reaching a climax in 1981 began to drop rapidly before stabilizing in 1984.
- 2) The price index for the private sector rose about 50 percent for the period 1979-1981.
- 3) An upturn of price levels was observed in 1985.
- 4) The two HOS price indexes basically follow the trend of the private sector. However, the extent of the surge in 1981 was very small relative to that of the private sector.

Inferences

- 1) The price level of HOS flats basically follows the trend of the private sector. However, the relatively small increase in HOS flat price in 1981 might have an indirect effect of accelerating the fall of private sector flat price level for the period 1982-1984.
- 2) Since the supply of HOS flats represented about 25 to 40 percent of the overall housing production (excluding public rental housing) for 1982-1984 by

FIGURE 6

PRICE INDEXES FOR HOS AND PRIVATE SECTOR HOUSING



selling at well below market value, it might have an effect on suppressing speculation and cooling market activities.

- 3) The drop in private sector price level in recent years has effectively increased the affordability of prospective home purchasers.

Conclusions

- 1) Since HOS flats are priced basically on costs of construction and land formation at a non-profit making basis, it serves as an indicator to the public about the bottom line figure of private sectors domestic properties at that time. This will have an effect of minimising the chance of vagaries of flat price due to speculation.
- 2) As the HOS flats are sold at prices well below the open market value (about 25 percent below) and its quantity of supply is significant, this will effectively lower or stabilize the general expenditure on housing in the long run. Through chain reactions, the general consumer price level will also be indirectly stabilized causing inflation to slow down.
- 3) Although the major reason for the property market slump in 1982 was because of political uncertainty over the future of Hong Kong, it is not unreasonable

to say that the HOS had an indirect effect on accelerating the speed of this slump .

- 4) The drop in private sector housing price level since 1981 has increased the number of prospective home purchasers. Prospective purchasers can now choose from a wider price range. As a result, the competition has intensified between the HOS and the private developers on the market demand for small to medium-size flats.

Analysis 5

Analysis of Target Market of HOS

- Eligible Households in Private Sector

(Please refer Table 10, p.108)

Assumptions

For the purpose of this analysis, the following assumptions have been made:-

- 1) Those families in private sector with household incomes below the Rental Housing Income Limit are not the target market of the private developers;
- 2) Similarly, those families already living in public housing are also not the target group of the private developers;
- 3) The private developers will compete with the HOS for families in private sector with household incomes between the Rental Housing Income Limit and the HOS

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Analysis of Target Market of HOS - Eligible Households in Private Sector

<u>Income Limit</u>		<u>Effective Date</u>	<u>Increase In Eligible Households As a Result Of Revision Of (1)</u>	<u>Total Number Of Eligible Households Within The New Income Limit (1)</u>	<u>Total Number Of Eligible Households Between Income Limits (1) & (2)</u>	<u>Market Expansion As A Result Of Revision Of (1)</u>	<u>Total Number Of Households Above (1) And Are Not Owner-Occupiers</u>	<u>% Of (6) Over (6)+(8)</u>	<u>Increase (Decrease) Of (9)</u>
<u>HOS</u>	<u>** (Rental Housing)</u>								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
\$3,500	(\$2,200)	2.1978 (Phase I)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
\$5,000	(\$2,700)	3.1980 (Phase IIA)	42,335	295,717	90,946	87%	67,041	57.6%	-
\$6,500	(\$3,100)	3.1981 (Phase IIIA)	23,019 *	284,633 *	40,426 *	132%	43,607 *	48.1%	(9.5%)
\$7,500	(\$4,500)	6.1984 (Phase VIA)	19,668	307,413	85,415	30%	75,823	53.0%	4.9%
\$8,500	(\$5,500)	5.1986 (Phase VIIIB)	9,598	289,672	59,756	19%	61,478	49.3%	(3.7%)

a) Note : * Figures obtained from 1981 Census. Other figures of households numbers are obtained from General Household Survey. ** Income Limit for 5-person family.

b) Definition: 1) Eligible Households : - families in private sector within the HOS Income Limit but are not owner-occupiers.

2) Market Expansion : - the percentage of the increase of eligible households as a result of the revision of HOS Income Limit (Column 4) over the number of eligible households within the previous HOS Income Limit but above the Rental Housing Income Limit (Column 6 - Column 4).

c) Sources : Census & Statistics Department, Housing Department.

Income Limit;

- 4) For families above the HOS Income Limit, there is no competition, and the private developers own 100 percent market share.

Observations

- 1) It is certain that new households will become eligible every time there is an increase in the HOS Income Limit. However, the number of these new households is decreasing.
- 2) Also decreasing are:-
 - a) The number of eligible households within the new Income Limit;
 - b) The number of households that the private developers are competing with the HOS;
 - c) The number of households that the private developers have 100 percent market share.

Inferences

- 1) Although the HOS Income Limits have been revised upwards several times, the number of the eligible families in private sector has in actual fact decreased. This might be due to a faster income growth rate of the community than the increase rate of the HOS Income Limits.
- 2) The size of the market that the private developers are competing with the HOS is also contracting.

This would mean that competition is becoming more and more intense.

- 3) The number of prospective home purchasers that the private developers have 100 percent market share is dropping as a result of upward revisions of the HOS Income Limit. This has the effect of reducing opportunities for the private developers.

Conclusions

- 1) It would seem wrong to say that the HOS is expanding its market by pushing up the Income Limit.
- 2) However, the upward revision of the HOS Income Limit has caused an adverse effect on the private developers by:-
 - a) Intensifying the competition for the demand of small and medium-size flats ; and
 - b) reducing the opportunities of the private developers in the higher income market as the number of prospective home purchasers above the HOS Income Limit is dropping.

This analysis basically verifies the concern expressed by the private developers interviewed.

- 3) The size of the higher income market is however still sufficiently large for private developers to consider putting more resources into meeting this potential demand.

Analysis 6

Analysis of Successful Green Form/White Form Applications

(Please refer Table 11, p.112)

Observations

- 1) The percentage of flats in each phase sold to Green Form Applicants ranged from 82.2 percent (Phase VIIA) to 25.1 percent. (Phase VA)
- 2) The overall percentage of flats sold to Green Form Applicants is 42.9 percent.
- 3) Phase VIIA has the highest percentage of flats sold to Green Form Applicants which comprised of Trident Blocks mainly reserved for Green Form Applicants, and its average flat price of \$144,500 is the lowest since the adoption of the new pricing formula in 1982.
- 4) If this exceptionally high percentage is being removed, the average percentage of flats sold to Green Form Applicants will drop to 40.5 percent.
- 5) There is a significant increase in the take-up rate by Green Form Applicants as from Phase VIIA in 1985 onwards. This might be attributed to the extension of Green Form target group in 1984. Before this, the take-up rate can be regarded as very poor, averaging only 30 percent.

Home Ownership Scheme
Analysis of Successful Green Form/White Form Applications

Phase	Total no. of flats in N.T.	Total no. of flats in Urban	Total no. of flats	No. of flats sold to green form applicants	No. of flats sold to white form applicants
I	3,038	5,335	8,373	3,821 (45.6%)	4,552 (54.4%)
PSPS (Yau Tong & Chi Lok Fa Yueng)	1,000	506	1,506	753 (50.0%)	753 (50.0%)
IIA	1,697	220	1,917	968 (50.5%)	949 (49.5%)
IIB	1,657	-	1,657	830 (50.1%)	827 (49.9%)
IIIA	1,311	1,788	3,099	1,406 (45.4%)	1,693 (54.6%)
PSPS (Walton Estate)	-	760	760	380 (50.0%)	380 (50.0%)
IIIB	1,084	464	1,548	437 (28.2%)	1,111 (71.8%)
IVA	3,912	1,152	5,064	1,633 (32.2%)	3,431 (67.8%)
IVB	1,984	1,360	3,344	1,202 (35.9%)	2,142 (64.1%)
VA	3,296	1,629	4,925	1,234 (25.1%)	2,673 (74.9%)
VB	1,200	2,040	3,240	1,660 (51.2%)	1,470 (48.8%)
VIA	6,616	-	6,616	2,288 (34.6%)	3,467 (65.4%)
VIB	-	5,904	5,904	1,818 (30.8%)	4,086 (69.2%)
VIIA	3,776	-	3,776	3,103 (82.2%)	673 (17.8%)
VIIIB	2,320	2,700	5,020	2,010 (40.0%)	3,010 (60.0%)
VIIIC	2,800	978	3,778	1,889 (50.0%)	1,889 (50.0%)
VIIIA	4,260	2,800	7,060	3,530 (50.0%)	3,530 (50.0%)
	<u>39,951</u>	<u>27,636</u>	<u>67,587</u>	<u>28,962 (42.9%)</u>	<u>38,625 (57.1%)</u>
	=====	=====	=====	=====	=====

Source : Housing Department

Inferences

- 1) Given the target allocation ratio between Green Form and White Form Applicants to be 50:50, the 42.9 percent (or 40.5 percent) average figure for Green Form Applicants is an undesirable deviation.
- 2) This deviation may be caused by:-
 - a) Insufficient incentives provided to the Green Form target group such as mortgage terms, priorities in flat selection, eligibility criteria, etc.;
 - b) Poor locations of flats;
 - c) High flat selling prices which are beyond the affordability of most Green Form Applicants.

Conclusions

- 1) The target allocation ratio has not been achieved, and the main objective to sell homes to better-off public housing tenants so that their units can be vacated for re-allocation to families in greater need, has not been satisfactorily met.
- 2) The situation however has improved recently as a result of the extension of Green Form target group in 1984.
- 3) In view of the fact that Government has already provided certain privileges to Green Form Applicants, it would appear that the location and

flat selling price are the two critical factors affecting Green Form Applicants' decision to purchase.

Analysis 7

HOS Flats in the New Territories

- Analysis of Origin of Successful White Form Applicants

(Please refer Table 12, P.115)

Observations

- 1) From the sample survey conducted, it can be seen that about 38 percentage of successful White Form Applicants who purchased HOS flats in the New Territories were living in the New Territories at the time of purchase.
- 2) The highest percentage recorded is 47.6 percent for Phase VIIC, Sui Hei Court in Tuen Mun.
- 3) The lowest percentage recorded is 11.1 percent for Phase IIA, Sui Wo Court in Shatin.

Inferences

- 1) The low percentage of White Form Applicants with an origin from the New Territories might be caused by:-
 - a) Lower proportion of population living in the New Territories;

TABLE 12

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HOS Flats in the New Territories
Analysis of Origin of Successful White Form Applicants

<u>Phase</u>	<u>Estate</u>	<u>Location</u>	<u>Origin of Successful White Form Applicant</u>	
			<u>From the N.T.</u>	<u>From Urban Areas</u>
II A	Sui Wo Court Stage II	Shatin	11.5%	88.9%
III A	Siu On Court	Tuen Mun	33.1%	66.9%
IV A	Yuk Po Court	Shek Wu Hui Sheung Shui	20.9%	79.1%
V A	Siu Shan Court	Tuen Mun	29.1%	70.9%
VI A	Choi Po Court Stage 1	Shek Wu Hui Sheung Shui	30.1%	69.9%
	Tai Po Plaza	Tai Po	24.1%	75.9%
VII B	Holford Garden	Shatin	22.2%	77.8%
VII C	Siu Hoi Court Stage 1	Tuen Mun	47.6%	52.4%
	Ming Nga Court	Tai Po	35.2%	64.8%

Note : The above was compiled by carrying out sample surveys of the Successful White Form Applicants.

Source : Housing Department

- b) A higher percentage of owner-occupier amongst the residents in the New Territories, which comprise mostly of indigenous villagers who already own properties and, commuters who bought their flats when first moving into the new towns.
- 2) The demand from White Form Applicants in the New Territories is therefore relatively small.
 - 3) The high percentage of households living in urban private housing willing to purchase HOS flats in the New Territories might be caused by the following reasons:
 - a) Comparatively low flat selling price than those flats in the urban areas;
 - b) Improved public transport facilities and infrastructure of the new towns.
 - 4) Therefore, as the willingness of urban households moving into the New Territories is largely constrained by flat selling price and the efficiency of public transport and infrastructural facilities available in a particular new town, and the fact that the demand from residents already living in the New Territories is small, the overall market demand for housing in the New Territories can be construed to be only limited.

Conclusions

- 1) In view of the limited market demand for flats in

the New Territories, the supply of HOS flats, which very often in large quantities for a single project and at selling price well below the open market value, will inevitably create a severe competition with private sector developments in the New Territories.

- 2) Furthermore, as this finite market demand can be easily saturated, the saleability of private housing in the New Territories will be seriously affected whenever there are HOS flats put up for sale in the same new town.
- 3) These conclusions support the statements made by the private developers and independent professionals interviewed.

Analysis 3

Comparison Between Open Market Mortgage Rates and HOS Mortgage Rates

(Please refer Table 13, P.118)

Observations

- 1) The HOS mortgage rates have always been more favourable than that of the open market. For Phases I to IIIA, it was about 90 percent of the open market rates, and from Phase IIIB onwards, it was about half to one percent lower.

Comparison Between Open Market Mortgage Rates And HOS Mortgage Rates

<u>Date</u>	<u>Prime Rate</u>	<u>Open Market Residential Mortgage Rate</u>		<u>HOS Mortgage Rate</u>	
	<u>% p.a.</u>	<u>% p.a.</u>	<u>Monthly Repayment per \$100,000 loan for 10 years</u>	<u>% p.a.</u>	<u>Monthly Repayment per \$100,000 loan for 10 years</u>
6.6.80	13.0	14.0	\$1,552.66	12.6	\$1,459.61
6.9.80	10.0	12.0	1,434.71	10.8	1,366.20
6.12.80	15.0	17.0	1,737.98	15.3	1,631.77
6.3.81	17.0	18.0	1,801.85	16.2	1,687.62
6.6.81	17.0	18.0	1,801.85	16.2	1,687.62
6.9.81	18.0	19.0	1,866.72	17.1	1,744.32
6.12.81	17.0	18.0	1,801.85	16.2	1,687.62
6.3.82	16.0	17.0	1,737.98	15.3	1,631.77
6.6.82	15.0	16.0	1,675.13	15.5 *	1,644.11
6.9.82	12.0	13.0	1,493.11	12.5	1,463.76
6.12.82	11.0	12.0	1,434.71	11.5	1,405.95
6.3.83	10.5	12.0	1,434.71	11.5	1,405.95
6.6.83	13.5	15.0	1,613.35	14.0	1,552.66
6.9.83	11.5	13.0	1,493.11	12.0	1,434.71
6.12.83	13.5	15.0	1,613.35	14.0	1,552.66
6.3.84	10.0	11.5	1,405.95	10.5	1,349.35
6.6.84	12.75	14.25	1,567.73	13.25	1,507.89
6.9.84	14.0	15.5	1,644.11	14.5	1,582.87
6.12.84	11.5	13.0	1,493.11	12.0	1,434.71
6.3.85	10.0	11.5	1,405.95	10.5	1,349.35
6.6.85	8.5	9.5	1,293.95	9.0	1,266.76
6.9.85	7.0	8.25	1,226.53	7.5	1,187.02
6.12.85	7.0	8.25	1,226.53	7.5	1,187.02
6.3.86	7.0	8.25	1,226.53	7.5	1,187.02

* For Mortgage Arrangements From Phase IIIB Onwards.

Source : Hong Kong Association of Banks
Housing Department
Hong Kong & Shanghai Banking Corporation

- 2) The difference in the monthly installment on a same basis of \$100,000 loan with repayment period of 10 years between the HOS and the private sector ranged from \$122 (6 Sept., 1981) to \$27 (6 June 1985).
- 3) The mortgage rates and corresponding monthly repayment amount for both types of housings have dropped substantially since 1981 : more than 50 percent for the mortgage rate and about 34 percent for the monthly repayment amount on a same basis as in (2).

Inferences

- 1) Although a borrower under the HOS mortgage arrangement is required to pay less amount of monthly installment than that if he borrows from the open market for private sector flat at a same amount of loan, the difference between the two is however very small. For example, for a loan of \$200,000 with repayment period of 10 years, the difference is shown in Table 14.

It can be seen from the table that both in absolute terms and in percentage, the difference is only triva when compared with the amount of monthly repayment that a HOS borrower has to pay.

Conclusions

- 1) It is considered that the advantage of HOS mortgage

Table 14

COMPARISON BETWEEN MORTGAGE INSTALLMENT OF OPEN MARKET AND HOS

<u>Date</u>	<u>Open Market</u>		<u>H.O.S.</u>		<u>Difference</u>	% of H.O.S. Monthly Payment
	<u>Rate</u>	<u>Monthly Payment</u>	<u>Rate</u>	<u>Monthly Payment</u>		
6.9.81	19%	\$3,733.44	17.1%	\$3,488.64	\$244.8	7%
6.6.83	15%	\$3,226.70	14%	\$3,105.32	\$121.38	3.9%
6.3.85	11.5%	\$2,811.90	10.5%	\$2,698.70	\$113.20	4.2%
6.3.86	8.25%	\$2,453.06	7.5%	\$2,374.04	\$79.02	3.3%

arrangement is only triva and is not a significant factor to give the HOS the competitive edge. This advantage is further reduced in recent years when more financial institutions are willing to offer mortgage loan up to 90 percent of the flat price and for a repayment period as long as 20 years to an increasing number of private housing projects.

- 2) The significant drop of open market mortgage rate since 1981 has effectively increased the affordability of prospective home purchasers. More people can now afford to purchase private housing at a given price level.
- 3) In view of the fact that an overlapping of potential purchasers for the HOS and private sector is expected to exist although the degree varies at different price levels, the increase in affordability of prospective home purchasers in recent years has intensified this overlapping. This basically verifies the statements made by both the private developers and independent professionals interviewed.

CHAPTER VII

CRITICAL EVALUATION OF THE HONG KONG HOME OWNERSHIP SCHEME

In this chapter, the authors intend to critically examine and evaluate the Home Ownership Scheme based upon the findings from the interviews and the objective analyses conducted. In drawing conclusions, the authors have also relied upon their own experience in the property market and their personal judgement.

Summary of Findings

The Effect of the HOS on the Private Sector Residential Market

- 1) Before 1982, the HOS had not caused any significant effects on the private sector residential market because the two had distinct market segments. This situation, however, has changed since 1982 and the effects have become increasingly apparent. Competition between the HOS and the private developers on the demand for small and medium-size flats has intensified as a result of progressive overlapping of target markets caused by the following changing circumstances:-

- a) There is an increasing aspiration for home-ownership supported by a healthy income growth and moderate inflation rate.
 - b) Mortgage rates and corresponding monthly repayment amounts have dropped substantially. This has effectively increased the affordability of prospective home purchasers.
 - c) The big slump of the property market in 1982 has caused a very significant drop in the flat price level. More people have become affordable to purchase private sector flats.
 - d) In order to adapt to the weak demand for properties persisted during 1982-1984, private developers had shifted their target market segments downward towards the lower end of the income group by producing more small-size flats at lower flat selling prices.
- 2) The supply of HOS flats has increased substantially since 1982 which represented more than 50 percent of the total private sector flats below a floor area of 69.9 metre square. In addition, the price level of HOS flats has become even more attractive when the land value element was excluded from the price calculation in 1982, which now averages about 25 percent below open market value. It is therefore not difficult to image the adverse effects that the HOS has on the saleability of private sector flats.
- This situation was most critical in 1982-1984 during

which the market demand was exceptionally low due to the political uncertainty over the future of Hong Kong. The condition has however improved as market demand began to pick up after the announcement and signing of the Sino-British Agreement in 1984/1985.

- 3) The over-supply forecasted for 1986 and 1987 and, the anticipated drop in the take-up rate back to its normal level as a result of the saturation of 'latent' demand in the market in 1985 will make the effects of the HOS on the private sector to be more apparent again in these two years.
- 4) The effects of the HOS on private sector residential developments is more direct and serious in the New Territories. The reason is because the market demand of flats in these areas is finite and limited, and can be easily saturated by large scale HOS projects leaving little opportunities for the private sector.
- 5) The 'unequal' base of competition from the HOS has affected the decisions of private developers on their pricing and development strategies in term of choice of location, flat size and design, etc. There is a trend for the private developers to diversify their production: apart from producing flats with sizes similar to that of the HOS because there is still a sufficiently strong demand in this market segment, developers are gradually

geared towards the production of more large-size flats.

Socio-economic Impact

1) Social Stability

The HOS has undoubtedly contributed towards the social stability of the community in its early stage of introduction. It has headed-off the destabilization of family life by satisfying the growing aspiration of home-ownership of the 'sandwich' class, which the private sector had shown very little interest before 1982. At the same time, it further enhances the sense of belonging of the community at large, which is especially important under the political situation of Hong Kong in the recent years.

2) Redistribution of Income

The HOS has resulted in a redistribution of income from the rich to the poor because it contains an element of subsidy. This has the effect of slowing down the effects of polarization process of a capitalistic society.¹

3) Improve Standard of Living

The HOS has improved the general living conditions and environment of the lower income group in two directions. Firstly, it improves the living environment of both successful Green Form Applicants

¹

M. Castells. Urban Question, 1976

industries. However, since Hong Kong is always near full employment level, its contribution towards the general employment situation is not apparent.

6) Effect on Inflation

As can be seen from the objective analyses in the last chapter, the subsidized HOS has an indirect effect of slowing down inflation through the suppression of the vagaries of private sector flat price caused by speculation and the lowering of general housing expenditure.

7) Market Intervention

It is sometimes necessary for Government to intervene to rectify any deficiency in the market. In this particular situation, the introduction of the HOS has successfully filled the vacuum of housing supply that the private sector is unwilling or unable to produce, although this would inevitably result some disturbances to the private sector housing market.

8) Effect on Land Supply and Land Price

Although the HOS has taken up part of the residential land supply, it should not create any storage as the existing 50 hectare land supply limitation is well above the level of reasonable land demand. As regards land price, it would not cause noticeable effect because private developers normally have a 'ceiling price' when bidding for a particular site.

(better-off rental estate tenants) and White Form Applicants (the "sandwich" class from private sector). Secondly, the heavily subsidized rental housing units surrendered by the successful Green Form Applicants can be re-allocated to families in greater need, thus improving their living conditions.

Furthermore, in meeting the competition with the well designed HOS projects, private developers have to supply quality buildings with better facilities and landscaping. The overall living environment is therefore being uplifted.

4) Increase in Market Demand

Since price is the major factor in determining the 'market demand', the subsidized price level of the HOS flats has enable more people to become affordable and has the effect of cultivating premature market demand. The extend of the increase in demand depends on the difference between the HOS and the open market price levels. However, the substantial drop of private sector flat prices since 1982 has reduced the effect of market demand cultivation by the HOS as more people are now affordable to purchase private sector flats.

5) Create Employment

The HOS has increased the employment opportunities in the construction industry and its related

Evaluation against the Set Objectives

1) Main Objectives

Since its inception in 1978 to end of 1985, a total number of 67,587 HOS flats were sold, 42.3 percent (28,590 units) and 57.7 percent (38,997 units) to 'Green Form' and 'White Form' Applicants respectively. As public housing tenants are required to surrender their existing units when successfully purchased HOS flats, approximately 28,000 rental estate units have been re-allocated to other families in greater need. Therefore, up to now, the HOS has actually benefitted more than 95,000 families by improving their living condition.

Although the take-up percentage of HOS flats by the Green Form Applicants is only about 42.3 percent which is below the target allocation rate of 50 percent, it can nevertheless be regarded to have satisfactorily achieved its first main objective to encourage better-off rental estate tenants to purchase their own flats and re-allocate their surrendered units to families in greater need. Government however should further review the implementation policies in attracting the Green Form Applicants to achieve the set target.

Likewise, there is no doubt the HOS has achieved its second objective in assisting families in the private sector with limited incomes to become home-

owners.

2) Other Objectives

It is evident that the HOS has at the same time accomplished the following objectives.

- 1) Achieved a greater social stability.
- 2) Enabled a quick re-cycling of government financial resources to build an increasing stock of housing.
- 3) Reduced Government's assistance in meeting the recurrent expenditure of public rental housing in the long run.
- 4) Satisfied a growing need for home-ownership.
- 5) Involved the private developers to participate in the public housing programme for low income groups through the FEPS.

On the other hand, because of the changing social and economic conditions since 1982, the HOS has seen to have caused some detrimental effects to the private sector, thus defeating its original intention. Moreover, as private developers are adjusting downwards their market segments and when the affordability of prospective home purchasers has been increased, the vacuum in the housing market that the HOS is suppose to fill will become gradually smaller, and will result in a severe competition with the private sector for lower middle income families at its present supply quantity.

Conclusion

It can be seen from the above summary of findings that the Hong Kong Home Ownership Scheme has a definite social contribution. The socio-economic achievements of the HOS has proved that Government's decision to establish a subsidized flats-for-sale scheme to supplement the public rental housing programme is a correct one. The HOS has been successful in achieving the main objectives and most of its associated objectives. Since its inception in 1978, some 95,000 families have been benefitted, and all sales exercises were over-subscribed. HOS flats in suitable locations and of suitable sizes prove to be very attractive to prospective home purchasers.

One of the original intentions of the Scheme is to provide reasonable sized flats at a price which is within the affordability of the low to lower-middle income households to satisfy their home-ownership needs. When the Scheme was first introduced in 1978, such flats at the lower end of the market were not available from private developers and the objective was to fill this vacuum in the housing market. In other words, Government had limited the target group of the HOS to the low and lower-middle income families who were unable to afford to own a decent flat without assistance. The basic stance was not to compete with the private developers. The development in 1982-1984 changed the situation. As a reaction to the slack market, private developers adjusted

their products to suit the affordability of a weak demand, and the prices of smaller private sector flats came within the means of some of the low and lower-middle income families. In addition to this, the increasing affluence of the community at a low inflation rate and the considerable drop of mortgage rate, had further improve the affordability of the low and lower-middle income prospective home purchasers. As have discussed earlier, private flats of sizes below 70 metre square are now accessible to a much large proportion of households in private housing. All these resulted in a narrow differential between the prices of HOS flats and smaller private units. And, given the competitive edge of the HOS and its substantial quantity of supply, the harmful effects that the Scheme had caused on the private sector in 1982-1984 can readily be recognized.

After weighing through all the findings in this research, the authors would conclude that the HOS has a net contribution to the community as a whole. The promotion of home-ownership as a desirable social objective in itself and as a means to recover heavily subsidized public housing units from better-off tenants for allocation to more needy families should be supported and respected. Although there are still some drawbacks in the implementation of the Scheme, such as the abuse made by some applicants, there is no doubt that it is an unprecedented success. As regards the effects on the private sector, the degree varies with different economic conditions as discussed previously. It is considered

that the undesirable impacts caused by the HOS on the private developers in the past few years would only be temporary, (although there are still some concerns over the next two years as shown in the objective analyses) and as the private sector residential market starts to pick up, the competition between the two will gradually be reduced. However, it must be pointed out that the private sector housing market is affected by a combination of many external variables, and it would not be possible to single out the effects of the HOS because the competition coming from the HOS is only one factor amongst the many variables.

The housing sector, like other sectors of the economy, is subject to cyclical fluctuations. It is considered prudent that any short term fluctuations in the private sector should not affect the basic principle of public housing in providing subsidized home ownership flats to low and lower-middle income families who would otherwise be unable to own their accommodation in the long run.

Future Outlook

The basic desire for home-ownership is strong amongst households in Hong Kong. This aspiration will increase as the community becomes more affluent. To satisfy this home-ownership needs will not only be a desirable social objective in itself, but will also enhance a sense of belonging of the people in Hong Kong which is crucial under the present political climate. As

political consideration has now become the top priority at Government's macro level, it is anticipated that the concept of home-ownership will continue to be promoted. On the socio-economic side, no doubt that the HOS should be continued.

Past experience indicates that the functioning of the property market is very complex. Both demand and supply are highly cyclical and volatile. There is a long lead time between planning development and its completion. The supply of private sector housing has been characterized by short-term fluctuations in line with economic and other conditions as shown in the Objective Analyses chapter. Furthermore, the market is also to some extent quite volatile as shown in 1982-1984 when political factors dominated. Therefore, it would be extremely difficult to forecast accurately into the future. Nevertheless, based upon some forecasts and projections made by some government departments,¹ the following inferences can be drawn for the next 10 years.

- a) When the huge outstanding demand for public rental housing is cleared in the middle of the nineteen-nineties, there will be demand for upgrading housing standard. This will further fuel the aspiration of home-ownership.
- b) The demand for HOS flats is forecasted to remain strong. Given the present production level of

¹

Census & Statistics Department, Housing Department

10,000 units per annum, there will still be relatively large outstanding demand even at the end of this century.

- c) Private developers are unlikely to compete successfully with the HOS flats in the low and lower middle income groups because of the relative cost disadvantage. The private sector will eventually be forced to change their strategies to avoid head-on competition with the HOS. This can be done either by pricing their flats out of the reach of the HOS target groups in booming conditions, or refrain from concentrating on low-valued small flats and diversify into the medium to large-size units satisfying those families above the HOS Income Limit.
- d) Growing expectation for housing, such as larger area, better quality and facilities, is anticipated from the community beginning the early 1990's.

All these lead to a conclusion that the HOS will still have a very important role to play in the coming years. It is nevertheless hoped that the private sector will gradually adapt to the competition of the HOS as adapting to other external variables.

Given the size of the housing problem in Hong Kong, it is considered prudent that resources from both the public and private sectors should be directed to solving it. The two sectors will certainly have different roles towards a balanced development of the housing mix.

However, as both the public and private sectors are complementing each other, a well defined public housing programme in terms of target groups and production levels is essential to bridge the gap between demand from the people and supply from the private developers.

CHAPTER VIII

RECOMMENDATIONS

As fully discussed in the previous chapters, it is evident that the HOS has brought and will continue to bring desirable social contributions to the community at large, although there have been some negative effects on the private sector. The authors would now like to conclude this research paper by putting forward some recommendations for the further improvement of the Scheme and in the hope to minimize its effects on the private sector market. The following recommendations are based upon the valuable opinions and suggestions made by the interviewees, and filtered by the authors' judgement.

Production Level

Even though it may be necessary to maintain the average target production of 10,000 units per year, Government however should constantly review the quantity of supply of HOS flats in any one year. The quantity should be carefully determined with reference to the anticipated market demand and private sector supply situations for that period. Larger quantity should be supplied if there is a strong market demand which the private sector is expected to be unable to satisfy and,

visé versa.

Eligibility Criteria for White Form Applicants

The eligibility criteria should be reviewed from time to time so that the original objectives of assisting the genuine 'sandwich' class could be achieved. Government when deciding whether to tighten or relax the eligibility criteria should make reference to the actual demand and supply situations of that period. It is hoped that this will reduce the overlapping of target markets with the private developers.

PSPS

Government should consider to replace HAHS gradually by PSPS. The justifications are firstly the private sector can contribute more towards the housing programme for the lower income groups, and secondly the expertise of the private sector can be fully utilized.

Although there are certain drawbacks in the present system of PSPS, such as the risk for Government to back up the guarantee price, the monitoring of the standard of development, these are only operational problems and can be overcome by building in necessary flexibility and imposing tighter control when defining the relationship with the private developers.

Downward Adjustment of Target Market

Most of the HS flats produced in recent years are

at price levels only affordable by families at the upper end of the Income Limit. It is considered socially desirable for Government to target more on the lower end of this Income Limit as there are more families at the lower sector. The feasibility of producing more cheaper HOS flats by lowering the standard of the units thus reducing the costs, should be looked at.

Additional HOS Flats

At a given level of resources, in order to meet the increasing aspiration for home-ownership of the community in the long run, Government may consider producing additional HOS flats, i.e. in excess of the average 10,000 unit per year, by reducing the quantity of public rental housing. However, all of these additional units should be reserved mainly to the public housing tenants so as not to prejudice those families on the Waiting List or to further compete with the private developers for families in the private sector.

Allocation Ratio Between Green Form/White Form Applicants

The allocation ratio of HOS flats to Green Form and White Form Applicants should be reviewed periodically. In principle, the authors advocate the idea of higher allocation percentage to the Green Form Applicants since this can benefit two groups of families and is therefore more socially desirable.

In view of the anticipated drop in market demand for

the coming two years, Government might consider increasing the allocation ratio to Green Form Applicants so as to reduce the possible private sector market intervention.

Sales of Public Rental Housing to Existing Tenants

Government may consider the proposal of selling public rental housing units to existing tenants as advocated by one of the interviewees. This may recover the financial resources that Government has invested and an increased housing stock can be produced by re-cycling these recouped resources.

However, there are obvious administrative problems and legal complications in the implementation. Furthermore, its social desirability is somewhat doubtful as this may create a polarization and segregation effects between the poor and the better-off (those who purchased their units) families in public housing.

The authors admit that there will be inevitable administrative and operational difficulties and problems if the above recommendations are to be implemented, however, given the determination to attain a higher achievement, these difficulties are not insurmountable.

APPENDIX I

QUESTIONNAIRE

I) Effects of HOS on the Private Sector Residential Market

A) For Private Developers

- 1) Does HOS affect your sales of flat? To what extent?
- 2) Does the effect confine only to flats of certain size, type, location etc.?
- 3) How do you think about the trend of such effect?
- 4) Does the degree of effect vary with certain factors e.g. market climate, location etc.?
- 5) Does HOS affect your pricing decision?
- 6) Does HOS affect your strategy of development plan including size, location, design, quality etc?

B) For Non-Developers

- 1) Do you think HOS affects the private sector residential market?
- 2) If yes, to what extent? What are the reasons in causing such effects ?
- 3) How do you think about the trend of such effect?
- 4) Does the degree of effect vary with certain factors e.g. market climate, location etc.?
- 5) Do you think HOS affects the pricing of private flats?
- 6) Do you think HOS affects the strategy of private development?

II) Socio-economic Impact of HOS

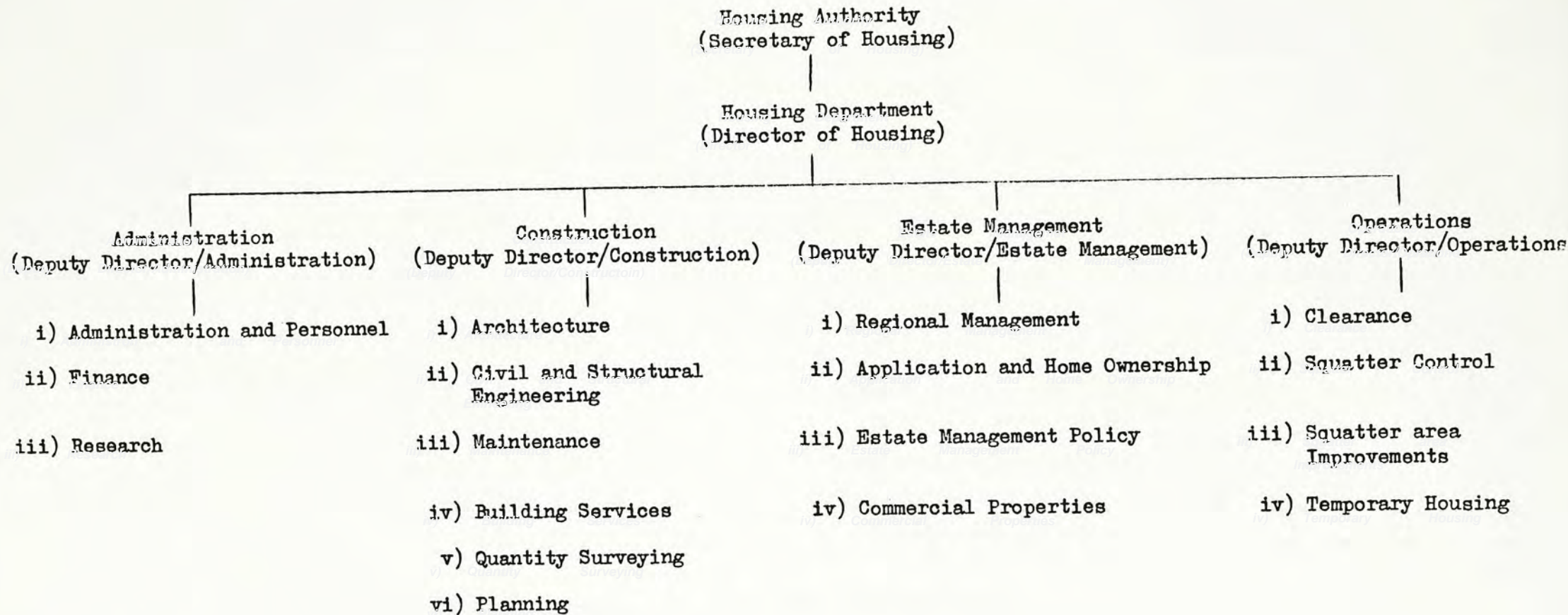
- 1) What are the social-economic impacts that HOS has brought?
- 2) How do you think about the effect of HOS on the following:
 - a) Social Stability
 - b) Redistribution of Income
 - c) Motivate Home-ownership
 - d) Increase in Market Demand
 - e) Create Employment
 - f) Effect on Inflation
 - g) Disturbance to the Free Market
 - h) Waste of Resources
 - i) Recycling of Government's Resources

III) Opinions and Suggestions

- 1) What should be the role of HOS?
- 2) How should HOS be positioned in the property market?
- 3) What should be the production level of HOS?
- 4) How should HOS be allocated to 'Green' and 'White' Form Applicants?
- 5) How do you think about the income limit restriction of HOS?
- 6) How do you think about the PSPS?
- 7) Does HOS still needed?
- 8) What should be the future policy of HOS?
- 9) Do you think that the 50 hectares limitation will affect the land supply?
- 10) Any other opinions and suggestions?

APPENDIX II

ORGANISATION CHART OF THE HOUSING AUTHORITY

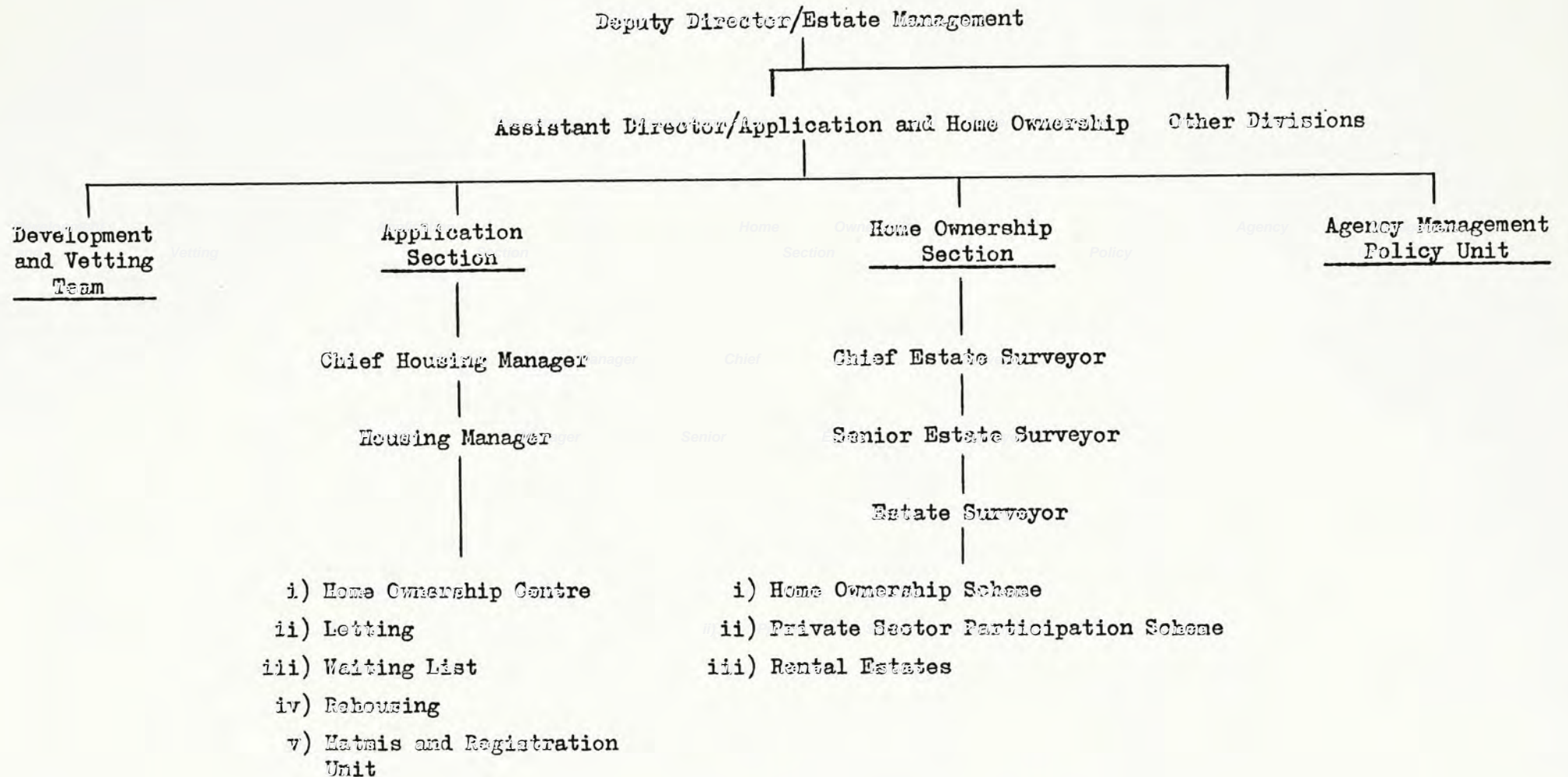


Source : Hong Kong Housing Authority Annual Report

Source: Hong Kong Housing Authority Annual Report

APPENDIX III

Organisation Chart Of The Estate Management Branch Of The Housing Department





HONG KONG HOUSING AUTHORITY

香港房屋委員會

龍愛民邨愛民商場二樓
者有其屋中心 售樓辦事處
龍中央郵政局 郵箱70147號
話：3-7119147

居者有其屋計劃—第七期乙

(私人機構參與計劃)

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申請書只供下列人士使用：

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-) 房屋委員會轄下臨時房屋區及平房區之認可居民；
-) 有效綠表資格證明書（HD 78 a 或 HD 78 b）之持有人。

(寫此申請書前，請小心閱讀第三、四頁「申請須知」之各項條款。本申請書第一、二頁之每一部份，均應填妥及完整交回。

第一部份 申請人及所有現行填報在租住證／租約／綠表資格證明書上面之家庭成員資料。請先填申請人姓名。

[illegible]

注意：中英文姓名必須依照香港身份證或出生證書所示者填寫。

總收入

第二部份 申請人住宅地址 _____

住宅電話 _____

辦事處電話_____

通訊地址 (如與上址相同, 則不必再填寫) _____

第三部份 登記費記錄 (由申請人填寫)

祇收以「香港房屋委員會」名義抬頭之支票或本票

切勿夾附現金

支票／本票號碼 _____ 面額 \$ 30.00 (三十元)

銀行 _____ 銀行分行 _____

下列各項由申請人正確填寫，以免郵誤。

HD 345Q

茲收到此處所印出之款額

申請人姓名 _____

通訊地址 _____

房屋委員會已收到 台端之申請書。台端之登記號碼爲：

NT

今後寄交

房屋委員會之通訊，請註明此登記號碼。

居者有其屋計劃一第七期乙

申請人姓名 _____

通訊地址 _____

申請人姓名 _____

通訊地址 _____

由申請人正確填寫，以免郵誤。

第四部份 傷殘人士

若閣下或列名在第一部份之任何家庭成員為傷殘人士，請將姓名及傷殘情況列明：

- (a) 姓名 _____
- (b) 傷殘情況 _____
- (c) 擬選擇何苑？ _____
- (d) 請列明理由 _____

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* 按情形刪去 5(a)或 5(b)
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8. 本人亦明白任何人士如在購買樓宇時明知故犯，向房屋委員會作出虛偽或令人誤解之陳述或提供同樣資料，則根據房屋條例第廿六條第二款之規定，乃屬違法，一經定罪，可被判罰款二十萬元及入獄一年。任何人士若因上述違法而被法庭定罪，則根據房屋條例第廿六甲條及第廿六乙條之規定，可被判令（甲）將所購得之樓宇售回房屋委員會或其提名人；或（乙）充公一筆數目相等於該單位原來購買價與在判罪時其市價之差額款項。

日期 _____

申請人簽署 _____

Certification by Estate/Area Office

(FOR ESTATE/AREA OFFICE USE ONLY 此欄祇供屋邨／區辦事處填寫)

To: Housing Manager/Home Ownership Centre

Code Address: _____

I have checked the particulars in Part I and to the best of my knowledge and belief, they are accurate and true. The occupation position is in order and I have no objection to applicant acquiring a flat under the scheme. The Tenant has undertaken to surrender vacant possession of his/her present premises upon acquiring a flat under the Home Ownership Scheme. Should there be any subsequent change in the particulars of applicant or other household members, you will be notified as soon as possible.

Signature: _____
(_____)
Housing Manager/ Estate/Area.

Office Chop: _____

Date: _____

居者有其屋計劃第七期乙

(私人機構參與計劃)

申請須知

前言

- 一：香港政府設立「私人機構參與計劃」，目的是為公共屋邨住戶（包括短期內可獲編配公屋單位的家庭）及中下入息家庭提供自置居所機會。
- 二：根據此項計劃，政府賣地予地產發展商，使其策劃興建符合指定規格及售價的樓宇。此等樓宇的買主亦可按照特惠條件獲得按揭貸款。

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- 三：綠色申請書祇供下列任何一類人士使用：

- (A) 房屋委員會或房屋協會轄下屋邨的住戶及房屋委員會轄下臨時房屋區及平房區的認可居民，不論收入如何，均屬符合資格，但須遵守下列規定：
 - (1) 購得有關單位後，即將現有的租約／房屋單位交回（房屋委員會屋邨單位的住戶，如租用兩個或以上單位者，其部份家庭成員亦可用綠色申請書申請，但必須於購得樓宇後，交回最少一個其現住單位）；
 - (2) 有關家庭包括至少兩名有親屬關係的成員；
 - (3) 申請人年滿二十一歲；
 - (4) 申請人及至少一名家庭成員為永久居民，並在香港住滿七年。

上述各類申請人，須先將其申請書交予所居屋邨／臨時房屋區／平房區辦事處簽證，然後才可交回居者有其屋中心。

- (B) 下列各類人士如持有房屋署所發出的有效綠表資格證明書（HD 78 a 或 HD 78 b），即屬符合資格：
 - (1) 申請公屋登記冊上的申請人（HD 78 a）；
 - (2) 根據低薪公務員公屋配額申請公屋的低薪公務員（HD 78 a）；
 - (3) 受清拆影響的人士及天災災民（HD 78 b）。
 上述各類人士的申請書必須連同綠表資格證明書（HD 78 a 或 HD 78 b）一併遞交。

申請人可否填交多份申請書？又夫婦可否分開申請？

- 四：(A) 任何人士祇能列名於一份申請書內，房屋署會詳細核對是否有雙重申請，如有發現，所有有關的申請都會因而作廢。

- (B) 任何人士的配偶，亦須列名於同一份申請書內，除非他們已合法分離。

以前曾經申請而未能入選者可否再申請？

- 五：以前曾經申請而未能購得任何早期出售單位的申請人，祇要符合資格，仍可再申請以後各期的樓宇，但已購得「居者有其屋計劃」、「私人機構參與計劃」或「中等入息家庭屋邨」美樂花園單位的人士及其名字已列在該有關申請書的家人，則不可以再度申請。

申請時是否要繳付費用？

- 六：申請人必須繳付三十元登記費。登記費須用劃線支票或銀行本票繳付，以「香港房屋委員會」名義抬頭，連同申請書寄付，切勿郵寄現金。不論申請入選與否，登記費概不發還。

填妥的申請書應交回何處及應於何時交回？

- 七：填妥的申請書，須在表格上指定的截止日期前寄交九龍中央郵政局郵箱七〇一四七號或送交愛民商場居者有其屋中心。用綠色申請書的申請人（持有綠表資格證明書者例外），亦可於截止日期前將申請書交回所住的邨或區辦事處。
- 八：房屋委員會在收到申請書和登記費後，便會發回收據給申請人，並通知其登記號碼。以後書信來往須註明該登記號碼。申請人若在截止申請日期後兩星期內仍未收到收據，則須從速向居者有其屋中心查詢，電話：三：七一一九一四七。

怎樣決定入選的申請人？

- 九：為使所有申請人都有均等機會，優先次序不會依收回申請書的先後定奪，申請人入選與否及入選先後次序都以公開抽籤辦法決定，抽籤結果會在報章及政府憲報刊登，並在各屋邨或區辦事處、居者有其屋中心、房屋署申請組及各區政務處公佈。

入選的申請人怎樣選擇樓宇？

- 十：凡符合一切條件的申請人，房屋委員會將以書面通知他們在約定的時間前往居者有其屋中心選擇他們的住宅單位。通知書是按照抽籤結果的先後次序發出，申請人如在約定時間缺席，即喪失優先權，其申請書將會安排在較後次序辦理。
- 十一：房屋署將會調查並約見入選的申請人，以審查他們的資格。在會晤時，申請人須提交證據，以證明他們在申請書上所填報的資料屬實。

警告

- 十二：入選申請人應該注意，在接到通知前往選擇樓宇前，除繳付三十元登記費外，別無其他收費。倘若有人向申請人接觸，藉詞可協助申請而索取金錢或其他形式的報酬，申請人應即向警方、廉政公署或房屋署舉報。此外，行賄公務員亦是犯法行為，此舉除會受到廉政公署或警方依法檢控外，亦會導致申請書被取消。

怎樣繳付樓價？

- 十三：購樓人士在選擇其單位時，必須繳付相等於樓價一成的提名費。此筆付款，須在居者有其屋中心繳交，但收受此筆提名費，並不代表房屋委員會或政府在樓宇買賣中成為買主或地產發展商的代理人。當買主與發展商簽妥樓宇買賣合約後，所繳的提名費將由房屋委員會交與發展商，作為樓價的部份付款。在樓宇可供入伙及簽署屋契文件時，買主須將樓價餘款付與發展商。

是否容許共同擁有物業權？

- 十四：容許共同擁有物業權，但物業權不能由超過兩名家庭成員共同持有。

買主如何獲取樓宇的合法業權？

十五：購樓人士將在發展商委託的律師樓辦理購樓法律手續，律師樓將收取通常規定的費用，當買主在居者有其屋中心繳交提名費時，房屋署人員會向其闡釋購樓的詳細程序。

按揭貸款辦法是怎樣的？

十六：在買主簽妥屋契文件後，若需要按揭貸款，應前往列名於居者有其屋中心的財務機構，辦理貸款手續。按揭貸款的條件如下：

甲、最高貸款額：樓價九成或除去已付首期後的餘款；

乙、還款期限：十五年（或由買主自行選擇較短還款期）；

丙、須付利息：貸款利率通常較辦理按揭貸款手續時的市面利率為低，但會定期檢討。

十七：買主亦可用第一次按揭方式，接受：(甲)其僱主貸款，但其僱主須有正式的員工買樓貸款計劃；或(乙)未有參加「居者有其屋計劃」的財務機構或其他人士貸款，惟在接受上述貸款前需得到金融事務司批准。買主若接受上述貸款，應諮詢居者有其屋中心。

辦理購樓手續時，需要繳付甚麼費用？

十八：買主要繳付下列各項費用：

甲、印花稅，根據樓宇的市值計算，而市值通常較實際樓價為高；

乙、登記契據文件的田土註冊費；及

丙、發展商所委託的律師樓辦理契據法律手續所收取的通常規定費用。

十九：如果樓宇買主需要按揭貸款以購買該樓宇時，則需要支付：

甲、登記按揭貸款契據的田土註冊費；及

乙、貸款機構或其律師安排有關按揭貸款的法律手續費用。

業主是否受特別條例限制？

二十：所有住宅單位均依照若干條件出售，包括以下各項：

甲、用途——所有單位均須作為住宅用途，由買主及其列名於申請書上的家人居住。

乙、轉售——買主若要出售其單位，將須遵照房屋條例內所載或所引述的下列規定：

①在簽署屋契文件日期起計的五年內，買主須照原價，除去一切未清還的按揭債項及其他規定的應扣除款項，將單位售回房屋委員會。所指原價，並不包括樓價利息及買主在購買

單位時所會付出的法律手續等費用。如果房屋委員會不願購回，買主可將單位自行公開出售，但須先向政府繳付一筆款項。這筆款項是根據屆時該單位無轉售限制的市值，按照原來未付的十足市值差額依比例計算。

②在上述首五年屆滿後的隨後五年內，買主仍須將單位售回房屋委員會，售價則以當時出售的其他「居者有其屋計劃」單位樓價作比較計算，然後除去一切未清還的按揭債項及其他規定的應扣除款項。如果房屋委員會不願購回，買主可將單位自行公開出售，但須根據分段①的計算方法，先向政府繳付一筆款項。

③在簽署屋契文件日期起計的十年屆滿後，買主可將單位按照分段②的規定售回房屋委員會，或先向政府繳付一筆根據分段①計算的款項，然後將單位自行公開出售。

有關買主在未將其單位公開出售前應向政府繳付的一筆款項數額，計算方式舉例如下：

購買時

●十足市值	三十二萬元
●買價	二十四萬元（即十足市值的百分之七十五）

●買主未付的十足 市值差額	十足市值的百分之廿五
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轉售時

●十足市值	五十萬元
●須向政府繳付的 數額（即十足市 值的百分之廿五）	十二萬五千元

丙：按揭貸款——在未向政府繳付乙段所述的款項前，買主祇可向參加「居者有其屋計劃」的財務機構辦理按揭貸款，或向已獲批准的僱主、其他財務機構或其他人士（見第十七條款）辦理按揭，但祇可借取樓價未付的餘額或取代原有已經批准的按揭。

丁、非法轉讓或放棄住用單位——任何人不得將單位非法轉讓或放棄住用，否則可被判罰款二十萬元及監禁一年。

戊、居住——房屋委員會人員有權要求業主或住客提供有關單位的住用資料，或進入有關單位視察。任何業主或住客若拒絕提供所需資料，將屬違法，可被判罰款一萬元及監禁三個月。若作出虛偽陳述亦屬違法，可被判罰款二萬元及監禁六個月。



HONG KONG HOUSING AUTHORITY

香港房屋委員會

Home Ownership Centre,
3/F., Lok Fu Shopping Centre,
Junction Road, Kowloon.
Tel.: 3-365103

HOME OWNERSHIP SCHEME/ PRIVATE SECTOR PARTICIPATION SCHEME

Phase 8A

P.O. Box 70147,
Kowloon Central Post Office.

For Office Use Only		
01	REG. NO.	HQ
02	P. No.	P

Closing Date for Application: 6th December, 1985

APPLICATION FORM

Note 1. This form is for the use of applicants other than:

- Housing Authority and Housing Society estate tenants;
 - Authorised residents in Temporary Housing Areas and Cottage Areas managed by the Housing Authority;
 - Prospective public housing tenants who hold valid Green Form Certificates (HD 78a or HD 78b)
- Please read carefully the Guide to Home Ownership Scheme/Private Sector Participation Scheme Phase 8A ("the Guide") on Pages 3 and 4 of this form.
 - All parts in Pages 1 and 2 of this form must be completed and returned intact.

Part I Particulars of applicant and all family members who will live together if successful in purchasing a flat. Please fill in applicant's particulars first.

Name		Sex	Date of Birth			Relation-ship	Marital status	H.K.I.C. No.	Birth Certificate Serial No. (if any)
(In Chinese)	(In English)		Day	Month	Year				
1						Applicant			
2									
3									
4									
5									
6									
7									
8									

IMPORTANT: All English and Chinese names must be the same as they appear in Hong Kong Identity Cards/Birth Certificates.

PART II Applicant's Home Address: _____ Home Tel.: _____
Office Tel.: _____

Applicant's Correspondence Address: _____
(Not to complete if same as above)

PART III Record of registration fee (To be completed by applicant)

DO NOT ENCLOSE CASH

The following cheque/cashier order made payable to "HONG KONG HOUSING AUTHORITY" for the sum of HK\$30.00 is enclosed herewith:

Cheque/Cashier Order No. _____ Bank _____ Branch of Bank _____

HD 346S

Applicant's name:	_____	<p>Received the sum imprinted below</p> <p>The Housing Authority acknowledges receipt of your application form. Your registration number is HQ Please quote this registration number in all future correspondence.</p> <p>HOME OWNERSHIP SCHEME/ PRIVATE SECTOR PARTICIPATION SCHEME</p> <p>Phase 8A</p>
Correspondence address:	_____	
Applicant's name:	_____	
Correspondence address:	_____	<p>* Applicant's Name: _____</p> <p>* Correspondence Address: _____</p>
Applicant's name:	_____	
Correspondence address:	_____	
Applicant's name:	_____	
Correspondence address:	_____	

*To be completed by applicant. Error may result in misdelivery.

PART IV Monthly family income

Particulars of income of applicant and other family members listed in Part I. (see Paragraph 3(E) of the Guide on Page 3)

Name	Occupation	Monthly Income		
		Basic Salary	Other Income	Total
Total monthly income of all family members (HK\$)				

PART V Property Ownership

- (i) Do you or any other family member listed in Part I own, jointly own or have an estate or interest in any property in Hong Kong?
Please state "Yes" or "No" _____
- (ii) If "yes", please fill in the following:-

Address of property	Name(s) of registered owner(s)	State whether you or your family members are the owner, joint owner, trustee, executor, administrator or beneficiary	Permitted user of property (state domestic or non-domestic)	Present user

PART VI Disabled Persons

If you or any family member listed in Part I of this application suffers from a serious disability, please specify the person and the nature of the disability:

- (a) Name: _____ (b) Nature of disability: _____ (c) Which Estate preferred: _____
- (d) Please give reason: _____

DECLARATION

I hereby declare that

- All the particulars given in this Application Form are true and correct in all respects and I have not withheld any information required in this form nor have I provided any misleading information.
- No person listed in Part I of this Application Form is included in any other application for this phase of the Home Ownership Scheme/Private Sector Participation Scheme or has ever successfully purchased a flat under the Home Ownership Scheme or the Private Sector Participation Scheme, or the Middle Income Housing Project at Melody Garden.
- I understand that registration fees paid are not refundable or transferable under any circumstances.
- I understand that the Housing Authority reserves the right to reject any application.
- I have personally checked with all persons listed in Part I of this Application Form and confirm that no one including myself:
 - owns or is in control of or has entered into any agreement to purchase any property listed under Paragraphs 3(E) and 3(F) of the Guide on Page 3.
 - has at any time within 6 months immediately prior to the date of submitting this application sold any aforesaid property or disposed of any interest therein.
- I understand that any application which contains false or misleading information will be cancelled and any offer of accommodation made as a result of false or misleading information will be withdrawn, any acceptance before such withdrawal shall be null and void; monies paid may be forfeited.
- I accept that the decision of the Director of Housing shall be final as to whether any such statement or application is false.
- All persons listed in Part I of this Application Form will live together in any flat purchased as a result of this application.
- I understand that any person who makes any statement or provides any information to the Housing Authority in respect of any matter relating to the purchase of a flat which he knows to be false or misleading shall be guilty of an offence under Section 26(2) of the Housing Ordinance and shall be liable on conviction to a fine of \$250,000 and to imprisonment for one year. When a person is convicted of such an offence in relation to the purchase of flat by him, the court may under Section 26A of the Housing Ordinance order either (a) that the flat so purchased be transferred to the Housing Authority or its nominee or (b) that the offender forfeit to the Crown a sum equivalent to the difference between the purchase price of the flat and its full market value at the date of the conviction.
- I also understand that where an offence under Section 26(2) of the Housing Ordinance is committed by another person in relation to the purchase of flat by me, the court may under Section 26B of the Housing Ordinance also order either (a) that the flat so purchased be transferred to the Housing Authority or its nominee or (b) that the purchaser forfeit to the Crown a sum equivalent to the difference between the purchase price of the flat and its full market value at the date of the order.

Date: _____

Applicant's Signature _____

Guide

to

Home Ownership Scheme/

Private Sector Participation Scheme Phase 8A

Background

1. The Hong Kong Government has established the Home Ownership Scheme and the Private Sector Participation Scheme ("the Schemes") to give public housing tenants (including prospective public housing tenants who will shortly be allocated rental units) and lower middle income families the opportunity to acquire a home of their own.
2. (A) The Home Ownership Scheme ("H.O.S.") provides for the sale of flats by the Hong Kong Housing Authority ("the Housing Authority") at controlled prices and for mortgages to be made available on special terms.
- (B) In addition, there is a Private Sector Participation Scheme ("P.S.P.S.") under which the Government sells sites to real estate developers who are required to build flats conforming to certain specifications and price levels. Purchasers of these flats will also be able to obtain mortgages on special terms.

Eligibility Criteria

3. While application forms are for applicants whose family units meet the following eligibility criteria:

- (A) The family consists of not less than TWO persons who form one of the following groups:
 - (i) Husband and wife;
 - (ii) Two closely related persons who are living together, e.g. parent and child, grandparent and grandchild, brother and sister; or
 - (iii) Applicant and relative, if dependent on and living together with applicant.

NOTE: Family members in Housing Authority/Housing Society estates, Temporary Housing Areas and Cottage Areas, who plan to split from their existing households, are also eligible.

- (B) The total family income does not exceed \$7,500 a month, provided that:

- (i) Income of applicant and family members should include:
 - (a) All sources of income before tax including present salary, bonus, commission, double pay and allowances whether received regularly or temporarily;
 - (b) Profits from business or in the form of net rental (excluding the outgoings of rates, management fees and maintenance and repairs), interest, or from other investments;
 - (c) Monthly pensions; and
 - (d) Rental income from subletting by applicant and family members as principal tenants;
- (ii) Any income over the last twelve months not received on a regular monthly basis should be converted into the monthly equivalent income when filling in Part IV of the application form.
- (iii) No deduction from income should be made for the following:
 - (a) Mortgage repayments or other loan repayment;
 - (b) Provident Fund contribution.
- (iv) Income should exclude:
 - (a) Contributions by civil servants under the Widows' and Children's Pensions Scheme;
 - (b) Old age and disability allowances received from Government.

- (C) The applicant is at least 21 years old;
- (D) The applicant and at least one member of his family are permanent residents of Hong Kong and have lived in Hong Kong for the previous seven years;
- (E) No member of the family owns or has an estate or interest in:
 - (i) any post-war domestic property, or
 - (ii) any uncontrolled or self-occupied pre-war domestic property;
 or has entered into any agreement to purchase any property stated in (i) and (ii) above;
- (F) No member of the family is a member of any Government

Co-operative Housing Scheme or any scheme of similar nature or is a lessee in any Government Local Officers' Housing Scheme; and

- (G) No member of the family has, at any time within six months immediately prior to the date of submitting the application, sold any domestic property mentioned in (E) and (F) above or disposed of any interest therein.

May a family submit more than one application and may spouses apply separately?

4. (A) Only one application may be submitted by a family unit during each phase of the Schemes and no individual member may be included in more than one application. Comprehensive checks will be carried out and any duplications will render all applications involved null and void.
- (B) Spouses of all married members of a family must be included in one and the same application unless they are legally separated.

May previous applicants try again?

5. Applicants who are unsuccessful in obtaining a flat in any phase of the Schemes may re-apply whenever applications are invited for subsequent phases, provided they meet the eligibility criteria at that time. However, no member of a family that has purchased a flat under the Home Ownership Scheme, the Private Sector Participation Scheme or the Middle Income Housing Project at Melody Garden may apply for another flat.

Does it cost anything to apply?

6. A non-refundable registration fee of \$30 -- in the form of a crossed cheque or cashiers order made payable to "Hong Kong Housing Authority" -- must accompany each application. Cash will not be accepted.

Where and when should application forms be sent?

7. Forms may be submitted either by post to P.O. Box 70147, Kowloon Central Post Office, or deposited by hand at the Home Ownership Centre -- on or before the closing date specified on the application form.
8. On receipt of the application form and registration fee, the Housing Authority issues a receipt to the applicant, informing him of his registration number which should be quoted in all future correspondence. Applicants who have not received a reply two weeks after the application closing date should make enquiries without delay at the Home Ownership Centre: Tel.: 3-363103

How are successful applicants chosen?

9. No priority is given to the order in which applications are received. A ballot is conducted in public to decide successful applicants and their order of priority. Results of the ballot are published in the Government Gazette and such newspapers as the Housing Authority may decide and are displayed in the Housing Authority and Housing Society estate/area offices, Home Ownership Centre and all District Offices.
10. Successful applicants are investigated and interviewed to ensure that they qualify for the Scheme. At the interview, held in order of priority, applicants are required to substantiate that the particulars contained in their application forms are still valid.
11. Successful applicants and all named adult members of their families are also required to sign a declaration form relating to income and property ownership and to give details of any changes in circumstances since the date of application.

How do successful applicants choose their flats?

12. Applicants who meet all the conditions are notified by letter to go to the Home Ownership Centre at appointed times to select their flats. These letters of notification are issued in accordance with the sequence on the priority list. Applicants who fail to keep their appointment to choose a flat will lose their priority and have to return later, in a lower order of priority, if they wish to continue with their applications.

Warnings

13. Successful applicants should note that before they are invited to select their flats, the only payment required is the registration fee of \$39. If applicants are approached by any person who offers to assist their applications in return for remuneration whether in cash or kind, they should report without delay to the Police, ICAC or the Housing Department. Furthermore, it is an offence for any person to offer any bribe or inducement to Government officers. Any such attempt will result in the application concerned being cancelled in addition to legal action which may be taken by the Police or ICAC.

How is the purchase price paid?

14. (A) For H.O.S., at the time he selects his flat the purchaser must make a down-payment of at least 10% of the purchase price in part payment of the purchase price. The balance of the purchase price must be paid at any time before the flat is ready for occupation.
- (B) For F.S.P.S., at the time he selects his flat the purchaser must pay a nomination fee of 10% of the purchase price. Such payment must be made at the Home Ownership Centre. By receiving this fee the Housing Authority or the Government is not constituted the agent of either the developer or the purchaser for the sale and purchase of the flat. The fee will be retained until the nominated purchaser has completed an Agreement for Sale and Purchase with the developer, whereupon it will be collected by the developer as part payment of the purchase price. When the flat is ready for occupation and upon execution of the Assignment, the purchaser will be required to pay the balance of the purchase price to the developer.

Is co-ownership permitted?

15. Co-ownership is accepted provided it is a "joint tenancy" between not more than two members of a family.

How do purchasers obtain legal title to their flats?

16. (A) For H.O.S., conveyancing formalities are completed at the Home Ownership Section of the Registrar General's Department. The conveyancing documents consists of:
- The Agreement for Sale and Purchase;
 - The Terms and Conditions for the Sale and Purchase of Flats;
 - The Deed of Assignment; and
 - The Deed of Mutual Covenant.
- (B) For F.S.P.S., purchasers will complete the conveyancing formalities at the office of the developer's solicitor, who will charge nominal fees to cover conveyancing expenses. Purchasers will be given full details of the procedures when they pay nomination fee for their flats at the Home Ownership Centre.

What are the mortgage arrangements?

17. After signing an Agreement for Sale and Purchase, a flat purchaser requiring a loan under mortgage should apply to any financial institution on the list available from the Home Ownership Centre. All mortgages are offered on the following terms:
- maximum amount of loan: 90% of purchase price or if down-payment exceeds 10% thereof the amount of balance outstanding;
 - repayment terms: 15 years (or such lesser period as the purchaser may request);
 - interest charges: set at rates generally below open market mortgage rates prevailing at the time of the loan and subject to periodic review.
18. A flat purchaser may also obtain a loan under a non-standard first mortgage from either his employer who maintains a bona fide staff housing purchase loan scheme or a financial institution or other person not participating in the Scheme provided the approval of the Secretary for Monetary Affairs is first obtained. Purchasers in these cases should seek advice from the Home Ownership Centre.

What fees are involved when completing the conveyancing formalities?

19. The flat purchaser is required to pay:
- normal stamp duty on the Assignment, based on the market value of the flat which is usually higher than the purchase price;
 - normal land registration fees for the registration of the conveyancing documents; and
 - (i) for H.O.S., and administrative fee to cover the Registrar General's expenses for completing the conveyancing formalities.
 - (ii) for F.S.P.S., normal conveyancing expenses to the developer's solicitor for completing the conveyancing formalities.
20. If the flat purchaser requires a mortgage loan to finance the purchase of the flat, he is required to pay:
- normal land registration fee for the registration of the Mortgage Deed; and

- legal costs in arranging the loan to the financial institution offering the loan or to its solicitors.

Are owners bound by any special rules?

21. Flats are sold subject to certain conditions which are largely contained in the Housing Ordinance and mainly include the following:
- USE - each flat shall be used only for residential purposes and occupied by the purchaser and his family members listed in the application.
 - SALE - if the purchaser wishes to sell his flat it will be subject to the following restrictions as contained or referred to in the Housing Ordinance:
 - within the period of five years of the date of the Assignment, he must offer to assign the flat to the Housing Authority or its nominee at the original purchase price, excluding interest on the price and any legal or other expenses incurred in connection with the purchase of the flat by the purchaser, less the amount due under any permitted mortgage and any other permitted deductions. If the Housing Authority or its nominee declines to accept the assignment, the purchaser is free to sell the flat on the open market after payment of an amount to Government based on the current value of the proportion of the original unrestricted value of the flat not paid by the purchaser.
 - within the further period of five years of the expiration of the period specified in sub-paragraph (i), he must offer to assign the flat to the Housing Authority or its nominee at a purchase price related to the level of Home Ownership Scheme flats being offered for sale at that time, less the amount due under any permitted mortgage and any other permitted deductions. If the Housing Authority or its nominee declines to accept the assignment, the purchaser is free to sell the flat on the open market after payment of an amount to Government as mentioned in sub-paragraph (i).
 - after the period of ten years from the date of the Assignment, he may offer to assign the flat to the Housing Authority or its nominee as in sub-paragraph (i), or he may sell the flat on the open market after payment of an amount to Government as mentioned in sub-paragraph (i).

Example of the amount to be paid to Government prior to sale of the flat on the open market, as referred to in sub-paragraphs (i), (ii) and (iii) above.

At time of purchase	(\$)
• Full market value	320,000
• Purchase price	240,000 i.e. 75% of full market value
• Amount of full market value not paid by purchaser	25% of full market value

At time of resale	(\$)
• Full market value	500,000
• Amount to be paid to Government (25% of full market value)	125,000

- UNLAWFUL ALIENATION OR PARTING WITH POSSESSION - Any unlawful alienation or conveyance or purported alienation or conveyance of any flat purchased under the Schemes or any agreement for such alienation or conveyance shall be void. Any person who unlawfully alienates, conveys, purports to alienate or convey, parts with possession of such flat or enters into an agreement to do so commits an offence and is liable to a fine of \$200,000 and to imprisonment for one year.
- MORTGAGE - The purchaser may not mortgage the flat, except as provided in paragraphs 17 and 18 above and then only for securing the balance of the purchase price, unless -
 - either:
 - a period of ten years has elapsed from the date of the assignment to the purchaser; or
 - before that period has elapsed, the purchaser has offered to assign the flat to the Housing Authority and the Housing Authority or its nominee has declined to accept the assignment;
 - and
 - the purchaser has first paid to Government the amount referred to in sub-paragraph (B) above.
- OCCUPATION - The Housing Authority is empowered to require owners or occupiers to give particulars about the use and occupation of the flat, and to enter and inspect the flat to check such particulars. Any owner or occupier who refuses to furnish the required particulars shall be guilty of an offence and shall be liable on conviction to a fine of \$10,000 and imprisonment for three months. Any owner or occupier who makes false statements shall be guilty of an offence and shall be liable on conviction to a fine of \$20,000 and imprisonment for six months.

APPENDIX VI

Details Of HOS Flats Sold In Previous Phases

<u>Phase</u>	<u>Application Period</u>	<u>Projects</u>	<u>Flats</u>	<u>Gross Area (M²)</u>	<u>Selling Price</u>
I	February 1978	Shun Chi Court, East Kowloon	1,539	49.1-77.9	\$80,900.00-\$158,100.00
		Chun Man Court, Ho Man Tin	1,800	54.1-66.5	\$123,500.00-\$165,900.00
		Yue Fai Court, Stage I, Aberdeen	1,100	42.7-46.6	\$108,800.00-\$133,500.00
		Sui Wo Court, Stage I, Sha Tin	2,334	43.5-65.3	\$100,200.00-\$164,000.00
		Yuet Lai Court, Lai King	704	45.7-56.2	\$90,600.00-\$122,300.00
		Shan Tsui Court, Chai Wan	896	43.5-44.1	\$100,300.00-\$114,000.00
	November 1979	oYau Tong Centre, Yau Tong	506	44.2-64.0	\$82,416.00-\$159,300.00
		oChi Lok Fa Yuen, Tuen Mun	1,000	48.1-62.5	\$24,700.00-\$146,200.00
II A	March 1980	Yue Shing Court, Sha Tin	530	55.9-62.6	\$191,700.00-\$251,000.00
		Sui Wo Court, Stage II, Sha Tin	1,167	43.5-65.3	\$151,500.00-\$252,700.00
		Yue Fai Court, Stage II, Aberdeen	220	42.7-46.6	\$182,400.00-\$223,700.00
II B	August 1980	Tsui Yiu Court, Kwai Chung	232	44.8-66.7	\$162,700.00-\$271,400.00
		Ching Lai Court, Kwai Chung	970	44.6-50.6	\$187,900.00-\$237,500.00
		Ting Nga Court, Tai Po	395	55.1-62.6	\$156,800.00-\$209,500.00
III A	March 1981	Siu On Court, Tuen Mun	1,311	51.6-62.4	\$170,000.00-\$242,800.00
		Yee Tsui Court, Chai Wan	600	48.5-54.6	\$229,400.00-\$292,100.00
		Hong Tin Court, Lam Tin	792	43.3-59.4	\$181,700.00-\$303,400.00
		Yee Kok Court, Stage I, Sham Shui Po	326	63.6	\$319,900.00-\$375,900.00
	December 1981	oWalton Estate, Chai Wan	760	43.3-52.2	\$168,300.00-\$232,600.00
III B	February 1982	On Kay Court, Stage I, Ngau Tau Kok	464	45.0-53.2	\$185,700.00-\$296,400.00 *
		Siu Hong Court, Stage I, Tuen Mun	1,084	43.3-59.4	\$127,500.00-\$201,400.00 *

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<u>Phase</u>	<u>Application Period</u>	<u>Projects</u>	<u>Flats</u>	<u>Gross Area (M²)</u>	<u>Selling Price</u>
IV A	June 1982	Siu Hong Court, Stage II Tuen Mun	960	46.2-64.3	\$137,300.00-\$216,900.00 *
		King Shan Court, Stage I, Hammer Hill	528	46.0-63.2	\$162,300.00-\$266,200.00 *
		Yue Tin Court, Sha Tin	1,704	47.1-64.6	\$143,100.00-\$229,100.00 *
		Kai Tai Court, East Kowloon	624	62.4	\$203,100.00-\$240,700.00 *
		Yuk Po Court, Shek Wu Hui	1,248	62.2	\$119,700.00-\$141,200.00 *
IV B	January 1983	King Shan Court, Stage II, Hammer Hill	1,056	46.0-63.2	\$160,600.00-\$267,300.00 *
		Wang Fuk Court, Tai Po	1,984	48.2-54.2	\$116,000.00-\$159,100.00 *
		Yan Tsui Court, Chai Wan	304	62.8	\$201,500.00-\$225,600.00 *
	March 1983	# Melody Garden, Tuen Mun	2,240	63-88	\$200,200.00-\$370,200.00 *
V A	July 1983	Siu Shan Court, Tuen Mun	1,872	62.2	\$147,700.00-\$180,900.00 *
		Yee Kok Court, Stage II, Sham Shui Po	298	61.7	\$279,900.00-\$318,800.00 *
		Lok Nga Court, Ngau Tau Kok	1,331	48.6-54.6	\$191,500.00-\$254,200.00 *
		King Tin Court, Sha Tin	1,424	48.3-54.3	\$171,800.00-\$231,000.00 *
V B	February 1984	Siu Hong Court, Stage III, Tuen Mun	1,200	46.7-64.1	\$116,200.00-\$188,700.00 *
		On Kay Court, Stage II, Ngau Tau Kok	456	47.5-65.1	\$188,400.00-\$310,000.00 *
		Cheung Wo Court, Kwun Tong	1,584	46.3-63.5	\$148,200.00-\$305,800.00 *
VI A	June 1984	Siu Hong Court, Stage IV, Tuen Mun	1,432	46.4-63.7	\$114,700.00-\$188,200.00 *
		Choi Po Court, Stage I, Shek Wu Hui	1,584	41.2-54.3	\$98,100.00-\$186,300.00 *
		May Shing Court, Sha Tin	2,192	42.1-64.3	\$99,800.00-\$223,400.00 *
		o Tai Po Plaza, Tai Po	1,408	41.3-53.4	\$156,500.00-\$248,800.00 *
VI B	October 1984	o Richland Gardens, Kowloon Bay	5,904	43.7-57.9	\$188,300.00-\$340,600.00 *

<u>Phase</u>	<u>Application Period</u>	<u>Projects</u>	<u>Flats</u>	<u>Gross Area (M²)</u>	<u>Selling Price</u>
VII A	January 1985	Choi Po Court, Stage II, Shok Wu Hui	528	41.9-54.3	\$99,400.00-\$183,400.00 *
		Fung Shing Court, Sha Tin	2,448	50.1-64.4	\$105,200.00-\$186,200.00 *
		Ching Shing Court, Tsing Yi	800	50.2-64.5	\$96,600.00-\$176,100.00 *
VII B	March 1985	o Prime View Garden, Tuen Mun	1,520	42.4-52.9	\$103,500.00-\$166,100.00 *
		o Holford Gardens, Sha Tin	800	42.9-53.1	\$164,200.00-\$267,100.00 *
		o Sun Lai Garden, Ngau Chi Wan	600	41.5-54.0	\$180,900.00-\$320,900.00 *
		o Greenwood Terrace, Chai Wan	2,100	54.1-81.3	\$229,000.00-\$406,900.00 *
VII C	July 1985	o Neptune Terrace, Chai Wan	978	62.7-91.8	\$272,700.00-\$450,500.00 *
		Siu Hai Court, Stage I, Tuen Mun	1,120	42.9-52.7	\$81,100.00-\$163,800.00 *
		Ming Nga Court, Tai Po	1,680	42.5-55.1	\$101,400.00-\$217,000.00 *
VIII A	November 1985	o Sun Hing Garden, Tai Po	1,460	45.1-63.7	\$183,200.00-\$337,100.00 *
		Ching Wah Court, Stage I, Tsing Yi	1,120	42.4-54.9	\$116,800.00-\$246,100.00 *
		Siu Hai Court, Stage II, Tuen Mun	1,680	42.9-52.7	\$82,600.00-\$170,200.00 *
		Tin Ma Court, Central Kowloon	2,800	42.2-52.7	\$150,000.00-\$290,000.00 *

o Private Sector Participation Scheme

Middle Income Housing Scheme

* Land premium excluded

Source : Housing Department

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Mr. W. R. Robinson. FRICS, FHKIS, FSVA, ACIARB, Managing Partner, W.R. Robinson & Co.
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Mr. Leung Sing. Executive Director & General Manager, Construction Department, Henderson Land Development Co. Ltd.
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Mr. M.Y. Wan. ARICS, Manager, Henderson Land Development Co. Ltd.,
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Mr. Leung Chun-ying. BSC (CMAA), ARICS, ASVA, AHKIS, Chartered Surveyor, Partner, Jones Land Wootton.
Interview, 29 January, 1986

Mr. Fung Kin-kee. Director, H.K. People's Council on Public Housing Policy, Urban Councillor, Shamshuipo District Board Member.
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Mr. David C. Lee. FRICS, FHKIS, ASVA, ACIARB, Manager, Project Management Department, Sun Hung Kai Properties Ltd., Past Chairman of The Royal Institution of Chartered Surveyors - Hong Kong Branch
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